Sisram Medical Ltd

(Incorporated in Israel with limited liability)

(Stock Code: 1696)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2017 was US$136.9 million, up by 15.9% as compared to the revenue for the previous year.

- Profit attributable to owners of the parent for the year ended December 31, 2017 was US$11.0 million, up by 37.2% as compared to that for the previous year.

- Adjusted net profit for the year ended December 31, 2017 was US$25.3 million, up by 24.1% as compared to the adjusted net profit for the previous year.

FINAL DIVIDEND

- The Board resolved not to declare any final dividend for the year ended December 31, 2017.

RESULTS HIGHLIGHTS

The board of directors (the "**Board**") of Sisram Medical Ltd (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**") for the year ended December 31, 2017 (the "**Reporting Period**"), prepared under International Financial Reporting Standards ("**IFRSs**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2017	2016
		US$'000	*US$'000*
REVENUE	4	136,887	118,156
Cost of sales		(63,690)	(55,933)
Gross profit		73,197	62,223
Other income and gains	4	2,057	719
Selling and distribution expenses		(26,059)	(21,380)
Administrative expenses		(13,862)	(12,989)
Research and development expenses		(12,399)	(7,307)
Other expenses		(1,780)	(2,438)
Finance costs	6	(5,333)	(6,968)
PROFIT BEFORE TAX	5	15,821	11,860
Income tax expense	7	(4,772)	(3,359)
PROFIT FOR THE YEAR		11,049	8,501
Attributable to:			
Owners of the parent		11,049	8,055
Non-controlling interests		—	446
		11,049	8,501
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the year (US cents)	9	3.88	3.61

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017	2016
	US$'000	*US$'000*
PROFIT FOR THE YEAR	11,049	8,501
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	581	(210)
Effective portion of changes in fair value of hedging instruments arising during the year	13	—
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	594	(210)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement loss of a defined benefit plan	(439)	(92)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	(439)	(92)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	155	(302)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	11,204	8,199
Attributable to:		
Owners of the parent	11,204	7,753
Non-controlling interests	—	446
	11,204	8,199

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2017	2016
		US$'000	*US$'000*
NON-CURRENT ASSETS			
Plant and equipment		2,320	2,353
Goodwill		108,351	108,351
Other intangible assets		64,039	67,092
Deferred tax assets		5,268	6,259
Other non-current assets		139	138
Total non-current assets		180,117	184,193
CURRENT ASSETS			
Inventories		23,898	21,955
Trade receivables	10	35,249	28,207
Prepayments, deposits and other receivables		3,214	2,966
Derivative financial instruments		—	187
Cash and bank balances		104,137	41,653
Total current assets		166,498	94,968
CURRENT LIABILITIES			
Trade payables	11	6,742	7,372
Other payables and accruals		21,719	15,209
Interest-bearing bank borrowings		4,321	12,246
Derivative financial instruments		245	—
Loan from a related party		—	9,845
Tax payable		1,496	2,300
Total current liabilities		34,523	46,972
NET CURRENT ASSETS		131,975	47,996
TOTAL ASSETS LESS CURRENT LIABILITIES		312,092	232,189

	2017	2016
	US$'000	*US$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	6,761	36,672
Deferred tax liabilities	10,686	12,613
Deferred income	573	634
Other long-term liabilities	1,096	141,784
Total non-current liabilities	19,116	191,703
NET ASSETS	292,976	40,486
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,254	2
Reserves	291,722	40,484
Total equity	292,976	40,486

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

On May 27, 2013, the Company acquired a 95.16% equity interest in Alma Lasers Ltd. ("**Alma**"), a global medical technology company incorporated in Caesarea, Israel. More details are set out in the paragraph headed "The Acquisition of the Group by the Fosun Pharma Group" in the section headed "History and Corporate Structure" in the prospectus of the Company dated September 5, 2017. On June 6, 2016, the Company acquired all the remaining shares held by the non-controlling shareholders of Alma. As a result of the transaction, and as of the date of this report, the Company held 100% of Alma's shares.

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

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. Guo Guangchang.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended December 31, 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and derecognizes (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 derecognized 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 revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses*
Amendments to IFRS 12 included in Annual improvements to IFRSs 2014-2016 Cycle	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilize a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group has no subsidiary classified as a disposal group held for sale as at December 31, 2017.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2017	**2016**
	US$'000	*US$'000*
Europe	37,839	32,729
North America*	33,508	31,001
People's Republic of China ("PRC")**	28,216	25,733
Asia Pacific (excluding PRC)	17,108	13,516
Latin America	14,260	8,989
Middle East and Africa	5,956	6,188
	136,887	118,156

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

** For the purpose of disclosure only, PRC excludes Hong Kong, Macau and Taiwan

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

(b) Non-current assets

	2017	**2016**
	US$'000	*US$'000*
Israel	174,508	177,616
United States	190	199
Other countries	151	119
	174,849	177,934

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

Information about a major customer

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

	2017	**2016**
	US$'000	*US$'000*
Customer A	28,216	25,733

4. REVENUE, OTHER INCOME AND GAINS

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

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

	2017	**2016**
	US$'000	*US$'000*
Revenue		
Sale of goods	128,108	109,826
Services and others	8,779	8,330
	136,887	118,156
Other income and gains		
Bank interest income	655	357
Foreign exchange gains, net	1,191	—
Fair value gains from foreign exchange forward contracts not qualifying as hedges	211	362
	2,057	719

5. PROFIT BEFORE TAX

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

	2017 *US$'000*	2016 *US$'000*
Cost of inventories sold	44,145	38,768
Cost of services and others	19,545	17,165
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	21,083	19,381
Listing bonus	3,884	—
Defined benefit plan costs	816	660
	25,783	20,041
Research and development expenses:		
Current year expenditure	12,399	7,307
Listing expenses	2,975	3,559
Auditors' remuneration	445	330
Minimum lease payments under operating leases	1,970	1,833
Depreciation	877	720
Amortization of other intangible assets	4,985	4,885
Provision for impairment of inventories	1,083	1,090
Provision for impairment of trade receivables (note 10)	697	611
Foreign exchange differences, net	(1,191)	737

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 *US$'000*	2016 *US$'000*
Interest on loans and borrowings	2,254	2,792
Imputed interest on long-term interest-free capital notes	3,079	4,176
	5,333	6,968

7. INCOME TAX

The Israeli corporate tax rate applicable to the Company was 24.0% (2016: 25.0%) for the year ended December 31, 2017. 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 Sisram itself as there was no assessable profit earned by Sisram for the year. Taxes on taxable income assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

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

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

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

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

	2017	**2016**
	US$'000	*US$'000*
Current	5,708	4,390
Deferred	(936)	(1,031)
Total tax charge for the year	4,772	3,359

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

Profit before tax	15,821	11,860
Statutory tax rate	24.0%	25.0%
Tax at the statutory tax rate	3,797	2,965
Different tax rates for certain entities	(1,779)	(1,718)
Effect on opening deferred tax from changes in tax rates	114	—
Tax losses utilized from previous periods	—	(67)
Expenses not deductible for tax	2,046	2,521
Others	594	(342)
Total tax charge for the year	4,772	3,359

8. DIVIDEND

The board of directors resolved not to declare any final dividend for the year ended December 31, 2017 (December 31, 2016: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 284,694,839 (year ended December 31, 2016: 222,948,648) in issue during the year.

The calculation of basic earnings per share is based on:

	2017	**2016**
	US$'000	*US$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	11,049	8,055

	2017	**2016**
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	284,694,839	222,948,648

* Arrived at on the assumption that the capitalization issue of 222,213,648 shares had been effective since January 1, 2016.

No adjustment has been made to the basic earnings per share presented for the years ended December 31, 2017 and 2016 as the Group had no potentially dilutive ordinary shares in issue during these years.

10. TRADE RECEIVABLES

	2017 *US$'000*	2016 *US$'000*
Trade receivables	36,308	29,185
Impairment	(1,059)	(978)
	35,249	28,207

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

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

	2017 *US$'000*	2016 *US$'000*
Within 1 month	13,325	12,361
1 to 2 months	8,086	6,584
2 to 3 months	6,111	3,152
Over 3 months	7,727	6,110
	35,249	28,207

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

	2017 *US$'000*	2016 *US$'000*
At beginning of year	978	601
Impairment losses recognized (note 5)	697	611
Written off	(616)	(234)
At the end of year	1,059	978

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

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	US$'000	*US$'000*
Neither past due nor impaired	24,818	18,440
Less than 1 month past due	4,443	3,484
1 to 3 months past due	2,268	4,123
Over 3 months	3,453	1,589
	34,982	27,636

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

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

11. TRADE PAYABLES

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

	2017	2016
	US$'000	*US$'000*
Within 1 month	4,997	3,024
1 to 2 months	1,745	2,030
2 to 3 months	—	2,318
	6,742	7,372

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

12. EVENTS AFTER THE REPORTING PERIOD

There was no significant event that took place after the reporting period and up to the date of approval of the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

1. INITIAL PUBLIC OFFERING

The shares of the Company (the "**Shares**") became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on September 19, 2017 (the "**Listing Date**"), representing a key milestone in the business development of the Group. In connection with the Company's initial public offering (the "**Global Offering**", or the "**Listing**"), 88,000,000 new Shares were issued and allotted. On October 8, 2017, the over-allotment option granted by the Company in connection with the Global Offering was partially exercised by the joint global coordinators of the Global Offering and the Company issued an aggregate of 2,155,600 new Shares pursuant to the exercise of the over-allotment option.

2. THE USE OF PROCEEDS FROM THE GLOBAL OFFERING

Total net proceeds from the Global Offering amounted to approximately HK$771.3 million. As at the end of the Reporting Period, approximately HK$143.5 million has been used in accordance with the plan as disclosed in the prospectus of the Company dated September 5, 2017.

3. BUSINESS REVIEW

The Company is a leading global provider of energy-based medical aesthetic treatment systems, with comprehensive in-house capability to design, develop and produce such systems, which feature its innovative and proprietary technologies. The "Alma" brand, as well as the brands of many of the Group's products such as "Soprano", "Harmony", "Accent" and "FemiLift", are widely recognized and well regarded among treatment providers and treatment recipients internationally. The Company has also been the largest provider of energy-based medical aesthetic treatment systems in the PRC (for purpose of this announcement only, excludes Hong Kong, Macau and Taiwn), market and one of the leaders in the medical aesthetic treatment system market globally, in terms of revenue in 2016. The Company sells its treatment systems in approximately 80 countries and jurisdictions worldwide.

The treatment systems developed and manufactured by the Company can be used for a broad range of energy-based non-invasive medical aesthetic and minimally invasive treatments. The Company has a comprehensive portfolio of treatment systems, including its Core product line and Beauty product line, which can be utilized to perform non-invasive medical aesthetic treatments such as hair removal, skin rejuvenation, skin resurfacing, treatment of vascular and pigmented lesions, tattoo removal, acne treatment, cellulite reduction, body contouring and skin tightening. The Company's treatment systems can also be utilized to perform minimally invasive treatments such as vaginal rejuvenation, laser-based liposuction, treatment of varicose veins and ear, nose and throat procedures. The Company's flagship offerings include (i) the Soprano family, primarily used for hair removal, (ii) the Harmony family, a versatile multi-application platform that can be used to treat up to 65 different FDA-cleared indications, and (iii) the Accent family, primarily used for body contouring and skin tightening, all of which belong to its Core product line, and (iv) FemiLift, a minimally invasive treatment system for treatment of various feminine conditions (such as vaginal rejuvenation). In addition, the Company offers Beauty product line treatment systems such as Rejuve and SPADEEP.

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

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

For the year ended December 31, 2017, revenue from distributors and direct sales customers represented 62.4% and 37.6% of the Company's total revenue, respectively, as compared to 64.1% and 35.9% of that for the year of 2016.

The Company has established a global sales and distribution network, with 24.5%, 27.6%, 20.6%, 12.5%, 10.4% and 4.4% of the Company's total revenue for the year ended December 31, 2017 attributable to North America, Europe, PRC, Asia Pacific (excluding PRC), Latin America and Middle East and Africa geographic segments, respectively (2016, 26.2%, 27.7%, 21.8%, 11.4%, 7.6% and 5.3%, respectively). See revenue by geographic segments section in this announcement.

Driven by the Company's focus on research and development, the Company has developed numerous proprietary technologies, positioning the Company as an innovation leader in the energy-based medical aesthetic industry. As at December 31, 2017, the Company had 52 registered patents and 20 patent applications in various jurisdictions which are material to the Company's business. Furthermore, since the inception of the Company, the Company has focused on organic growth and has developed most of its products and technologies internally. For the year ended December 31, 2017, 97.2% of the revenue from sales of products was derived from products that the Company developed in-house, as compared to 93.7% of that for the year ended December 31, 2016. Moreover, the safety, reliability and quality of the Company's products underlie its strong brand image. A majority of the Company's production processes are performed in-house in the Company's own facilities. In particular, the Company has also formulated stringent quality control procedures and the final quality test of each of the Company's products is performed at the Company's in-house facilities.

Looking back on 2017, the medical aesthetic treatment business of the Company continued to benefit from the Company's launch of new products and the increased awareness and acceptance of medical aesthetic treatments.

The table below sets forth certain of the latest products that the Company launched recently and the Company's product pipeline:

Product	**Brief Description**	**Launch Date/ Expected Launch Date**
Zero	A Harmony XL Pro handpiece using cryotherapy to treat excessive sweating	January 2017
Liposense	A non-ablative CO2 laser applicator for the Lipolife	January 2017
SINON II	The new generation of our SINON treatment system, which features a Q-Switched Ruby laser configured specially for treatment of pigment lesions and multi-color tattoo removal	March 2017
HomoGenius handpiece	Additional Alma-Q handpiece	March 2017

Product	Brief Description	Launch Date/ Expected Launch Date
Lipolife handpiece	Lipotight, an additional handpiece that allows treatment on small areas like face	June 2017
Two additional Alma-Q handpieces	Spectrum-Y and Spectrum R, which extend the capability of Alma Q to remove difficult-to-remove tattoo colors	August 2017
Small Areas Treatment kit	Contouring and rejuvenation of face and small areas, using an ultrasound-based applicator ("minispeed") and a radiofrequency applicator ("tuneface")	February 2018
Accentuate, hands-free body contouring treatment system	A treatment system utilizing radiofrequency	April 2018

For the year ended December 31, 2017, the revenue increased by 15.9% as compared to 2016 to US$136.9 million. The Group generated revenue from the following business segments: (i) sales of goods and (ii) services and other. Goods were further categorized into: (i) non-invasive medical aesthetic products and (ii) minimally invasive products. Substantially all of the products are energy-based medical aesthetic treatment systems and ancillary products for use with the Group's treatment systems. The Group sells products both directly to treatment providers and to distributors, who on-sell the products to treatment providers.

The revenue from sales of goods for the year ended December 31, 2017 amounted to US$128.1 million, representing an increase of 16.6% as compared to 2016. This increase was primarily attributable to the revenue growth from sales of both non-invasive medical aesthetic and minimally invasive products which grew by 16.0% and 21.0%, respectively, as compared to 2016 The revenue from services and other for the year ended December 31, 2017 amounted to US$8.8 million, representing an increase of 5.4% as compared to 2016.

For the year ended December 31, 2017, the Group recorded profit before tax of US$15.8 million and profit attributable to owners of the parent of US$11.0 million, representing an increase of 33.4% and 37.2%, respectively, as compared to the year ended December 31, 2016. The increase in profit before tax and profit attributable to owners of the parent was mainly due to the steady business growth and initiating new technologies to the market.

For the year ended December 31, 2017, the Group recorded an adjusted net profit of US$25.3 million representing an increase of 24.1% as compared to the corresponding period of 2016. The adjusted net profit margin for the Reporting Period was 18.5%, up of 1.3% as compared to the corresponding period of 2016. 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" in this announcement for further details.

The net cash flow from operating activities amounted to US$17.1 million, representing an increase of 6.5% as compared to 2016, which was a direct result of the increase in revenues.

During the Reporting Period, the Group continued to increase its R&D investment. The total R&D investment amounted to US$12.4 million, representing an increase of US$5.1 million or 69.7% as compared to the corresponding period of 2016. The increase is primarily attributable to the payment of bonus in connection with the completion of the Global Offering (the "**IPO Bonus**"), recruitment of more talented employees and increased costs relating to the purchase of raw materials and prototypes for research and development ("**R&D**") purposes.

4. OUTLOOK FOR 2018

The Company is well positioned to achieve its 2018 targets and vision. Throughout the coming year, the Company will continue to extend and deepen its value proposition, with a particular focus on the following:

- The Company plans to explore both organic and non-organic growth engines. With respect to organic growth, the Company will seek to expand its sales force and establish additional direct sales operations. With respect to non-organic growth, the Company will seek joint venture and merger and acquisition opportunities in the cosmeceuticals, stem cells, and PRP domains as well as with minimally-invasive device companies. The partnership with IBSA, a leading Swiss pharmaceutical company is one example of such venture.

- The Company intends to devote R&D resources toward investigating the interaction between energy sources and pharmaceuticals and toward developing products and protocols that will best utilize the findings of the Company's research.

- Through a re-branding process with a B2C focus, the Company intends to establish Alma as a consumer brand, with the goal of driving bottom-up demand and expanding business opportunities.

- The Company also expects to further implement and expand its Internet of Things technology.

5. FINANCIAL REVIEW

Overview

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

For the year ended December 31, 2017, the total revenue was US$136.9 million, representing an increase of 15.9% as compared to 2016. Profit before tax and profit attributable to owners of the parent of the Group were US$15.8 million and US$11.0 million, respectively and increased by 33.4% and 37.2% as compared to 2016, respectively.

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

	2017		2016	
	(US$ in thousands, except for percentages)			
	Amount	*% of revenue*	*Amount*	*% of revenue*
REVENUE	136,887	100.0%	118,156	100.0%
Cost of sales	(63,690)	46.5%	(55,933)	47.3%
Gross profit	73,197	53.5%	62,223	52.7%
Other income and gains	2,057	1.5%	719	0.6%
Selling and distribution expenses	(26,059)	19.0%	(21,380)	18.1%
Administrative expenses	(13,862)	10.1%	(12,989)	11.0%
Research and development expenses	(12,399)	9.1%	(7,307)	6.2%
Other expenses	(1,780)	1.3%	(2,438)	2.1%
Finance costs	(5,333)	3.9%	(6,968)	5.9%
PROFIT BEFORE TAX	15,821	11.6%	11,860	10.0%
Income tax expense	(4,772)	3.5%	(3,359)	2.8%
PROFIT FOR THE YEAR	**11,049**	**8.1%**	**8,501**	**7.2%**
Attributable to:				
Owners of the parent	11,049	8.1%	8,055	6.8%
Non-controlling interests	—	0.0%	446	0.4%

A. Revenue

For the year ended December 31, 2017, revenue of the Group was US$136.9 million, representing an increase of US$18.7 million or 15.9% as compared to 2016. The overall increase was primarily attributable to an increase in the sales volume of main consoles and applicators for the Company's non-invasive treatment systems and the growth of the minimally invasive treatment systems product line since its launch in 2013. Furthermore, the expansion of the Company's business is a direct result of increased brand recognition, expansion into new geographic territories, increased consumable revenue, as well as increased demand for medical aesthetic treatments globally.

During the Reporting Period, the Company generated revenue from the following revenue streams: (i) sale of goods; and (ii) services and other. The revenue from sale of goods amounted to US$128.1 million, representing an increase of 16.6% as compared to the corresponding period of 2016. The revenue from services and other amounted to US$8.8 million, representing an increase of 5.4% as compared to 2016.

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

	2017		**2016**	
	(US$ in thousands, except for percentages)			
Sale of Goods:				
Non-invasive medical aesthetic:				
Core	101,189	73.9%	88,249	74.7%
Beauty	9,774	7.1%	7,412	6.3%
Subtotal	110,963	81.0%	95,661	81.0%
Minimally invasive	17,145	12.6%	14,165	12.0%
	128,108	93.6%	109,826	93.0%
Services and Others	8,779	6.4%	8,330	7.0%
Total	**136,887**	**100.0%**	**118,156**	**100.0%**

The Company has derived a substantial majority of its revenue from the Core product line, which includes the flagship non-invasive medical aesthetic treatment systems such as the Soprano, Harmony and Accent families, as well as its Aesthetic Precision series and a few other families of treatment systems. Revenue from the sale of the Core product line was US$101.2 million for the year ended December 31, 2017, representing an increase of 14.7% compared to US$88.2 million in 2016. The increase was mainly because of the strong sales of flagship products, especially for Soprano and Accent. The revenue of the Core product line represents 73.9% of the Company's total revenue for 2017 as compared to 74.7% of that in 2016.

The Company's Beauty product line consists of treatment systems that are targeted towards different market segments than the Core product line treatment systems The Beauty product line caters to aestheticians who generally provide medical aesthetic and beauty treatments that require less complex and powerful treatment systems. For the year ended December 31, 2017, revenue from the Beauty product line was US$9.8 million, representing an increase of 31.9% compared to US$7.4 million in 2016. The increase was mainly due to the growing demand from the global markets. The revenue from the Beauty product line represents 7.1% of the Group's total revenue for 2017, as compared to 6.3% of that in 2016.

For the year ended December 31, 2017, revenue from the sale of the Group's minimally invasive products was US$17.1 million, representing an increase of 21.0% compared to US$14.2 million in 2016. The increase was primarily attributable to the increased sales volume of the FemiLift treatment systems and the related consumables, and the global launching of new products Lipolife, which is the first system in the in the industry to receive FDA and CFDA approval for infiltration, aspiration, harvesting, filtering and transferring of fat tissue for aesthetic body contouring. The revenue of minimally invasive products represented 12.6% of the Company's total revenue in 2017 as compared to 12.0% of that in 2016.

Revenue by geographic segments

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

	2017		**2016**	
	(US$ in thousands, except for percentages)			
Europe	37,839	27.6%	32,729	27.7%
North America	33,508	24.5%	31,001	26.2%
PRC	28,216	20.6%	25,733	21.8%
Asia Pacific (excluding PRC)	17,108	12.5%	13,516	11.4%
Latin America	14,260	10.4%	8,989	7.6%
Middle East and Africa	5,956	4.4%	6,188	5.3%
Total	**136,887**	**100.0%**	**118,156**	**100.0%**

During 2017, North America, Europe and the PRC were the Company's most important geographic segments by revenue contribution, though sales were distributed broadly across many regions globally. The Company has strived to maintain and expand its geographically diverse sales network, which will allow the Company to readily capture strong regional demand, as well as help the Company to balance and minimize risks from regional economics downfalls.

Even though the Group's sales were impacted by a regional natural disasters, the revenue from the North America segment managed to increase by 8.1% from US$31.0 million for the year ended December 31, 2016 to US$33.5 million for the year ended December 31, 2017. This increase is primarily due to an increase in sales of body contouring treatment systems as well as hair removal systems. The Company believes that the treatment options offered by these systems have gained in popularity among treatment recipients as a result of increased market awareness. Furthermore, the Company launched its LipoLife treatment system in 2017, which is the first laser for infiltration, aspiration, harvesting, filtering and transferring of fat tissue for aesthetic body contouring. The company also made significant investments in its direct sales force and marketing team in North America during 2017 as North America is the largest global market for the Group's products. The Company believes that these investments will enable the Company to increase its market share in the future for this segment.

The revenue from the European segment increased by 15.6% from US$32.7 million for the year ended December 31, 2016 to US$37.8 million for the year ended December 31, 2017. The increase is primarily attributable to significantly increased sales volume in countries such as Germany, Poland, Ireland, UK and Turkey, as well as an overall increased demand for the Group's products across Europe. During 2017, the Company saw very strong demand in this segment for its body contouring platforms, particularly its Accent Prime system.

The revenue from the PRC segment increased by 9.6% from US$25.7 million for the year ended December 31, 2016 to US$28.2 million for the year ended December 31, 2017. This increase is primarily attributable to the increase in sales volume of the Core product line and minimally invasive product line, partially offset by a decrease in sales volume of the Beauty product line. During 2017, the Company significantly strengthened its position in the region with respect to feminine health and body contouring through sales of its FemiLift and Thermolift products, respectively. Furthermore, the Company enjoys increased product awareness in the PRC as a result of significant physician education efforts taking place in the region.

The revenue from the Asia Pacific (excluding PRC) segment increased by 26.6% from US$13.5 million for the year ended December 31, 2016 to US$17.1 million for the year ended December 31, 2017. This increase is primarily attributable to (i) India, a result of the sales force expansion of about 33%, (ii) Hong Kong, a result of the increased brand recognition and (iii) Japan, a result of the increase in sales of the SPADEEP products.

The revenue from the Latin America segment increased by 58.6% from US$9.0 million for the year ended December 31, 2016 to US$ 14.3 million for the year ended December 31, 2017. This increase is primarily attributable to the improvement in the overall economic condition in various countries in this region which led to relatively consistent demand from the region overall.

The revenue from the Middle East and Africa segment decreased by 3.7% from US$6.2 million for the year ended December 31, 2016 to US$6.0 million for the year ended December 31, 2017. Despite the challenging atmosphere in this vast region, the Company was able to maintain its leading market position.

B. Cost of sales

During the Reporting Period, the cost of sales primarily comprised the costs of production materials, and to a lesser extent, remuneration of production employees, the cost of rendering of services, and overhead and other miscellaneous costs relating to production. For the year ended December 31, 2017, the cost of sales of the Group increased by 13.9% to US$63.7 million from US$55.9 million for 2016, which is mainly caused by the increase of material costs as a result of the increase in sales volume.

C. Gross profit and gross profit margin

During the Reporting Period, gross profit of the Group increased by 17.6% to US$73.2 million from US$62.2 million in 2016. The gross profit margin increased to 53.5% for the Reporting Period compared to 52.7% in 2016. The significant increase in gross profit margin was mainly attributable to increased sales to the direct sales customers (in which we generally enjoy better gross profit margins due to higher selling prices at the same cost of sales) and a shift in product mix towards higher margin products.

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 tradeshow fees, and (iv) administrative and other sales and marketing expenses. For the year ended December 31, 2017, selling and distribution expenses amounted to US$26.1 million, representing an increase of 21.9% from US$21.4 million in 2016. The reason for the increase was mainly due to the sales force expansion in direct sales territories such as North America and India. The increase in proportion of direct sales revenue also led to the increase of selling and distribution expenses.

E. Administrative expenses

Administrative expenses primarily consist of (i) amortization of intangible assets arising from the acquisition of Alma in 2013 (the "Alma Acquisition"); (ii) remuneration paid to administration employees; (iii) professional fees paid and administrative costs; (iv) fees relating to the operation facilities; (v) Listing expenses; and (vi) other miscellaneous expenses.

During the Reporting Period, administrative expenses of the Group increased by 6.7% to US$13.9 million from US$13.0 million in 2016, representing 10.1% of the total revenue compared to 11.0% in 2016. The increase was primarily attributable to payment of the IPO Bonus of US$3.9 million that we incurred in 2017, which was partially offset by the decrease of Listing expenses from US$3.6 million in 2016 to US$3.0 million in 2017.

F. Research and development expenses

During the Reporting Period, R&D expenses of the Group increased by 69.7% to US$12.4 million from US$7.3 million in 2016. The Group's research and development expenses primarily consist of remuneration to research and development team members, cost of materials used in research development efforts and expenses related to regulatory compliance and registration of patents and trademarks. During the Reporting Period, all research and development expenses were recorded in the period that such expenses were incurred and were not capitalized.

For the year ended December 31, 2017, R&D expenses of the Group accounted for 9.1% of the revenue compared to 6.2% in 2016. The increase is primarily attributable to the payment of the IPO Bonus, the recruitment of more talented employees and increased costs relating to the purchase of more raw materials and prototypes for R&D purposes.

G. Finance costs

Finance costs mainly comprise of interest on bank loans and imputed interest on interest-free long-term capital notes issued to the then existing shareholders (the "**Capital Notes**") which were capitalized upon Listing. Finance costs decreased from US$7.0 million in 2016 to US$5.3 million in 2017, primarily attributable to the capitalization of the Capital Notes upon Listing and repayment of bank loans.

H. Income tax expense

The Israeli corporate tax rates were 24.0% and 25.0% in 2017 and 2016, respectively. Each entity in the Group is taxable based on its standalone results as measured by the local tax system.

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

Income tax expense increased by 42.1% from US$3.4 million in 2016 to US$4.8 million in 2017, primarily attributable to the increase in profit before tax.

The effective tax rate of the Group was 30.2% for the Reporting Period, which was comparable to that of 28.3% in 2016.

I. Profit for the year

Due to the above reasons, during the Reporting Period, profit for the year increased by 30.0% to US$11.0 million from US$8.5 million in 2016. Net profit margin for 2017 and 2016 were 8.1% and 7.2%, respectively.

J. Profit for the year attributable to owners of the parent

During the Reporting Period, profit for the year attributable to owners of the parent of the Group increased by 37.2% to US$11.0 million from US$8.1 million in 2016.

On June 26, 2016, the Company acquired all the remaining shares held by the non-controlling shareholders of Alma. As a result of the transaction, and as of the date of this announcement, the Company held 100% of Alma's shares.

K. Adjusted net profit and adjusted net profit margin

The Group calculates adjusted net profit by taking profit for the period and adding back (a) amortization of other intangible assets resulting entirely from the Alma Acquisition; (b) imputed interest expenses arising from the Capital Notes which were no longer outstanding upon Listing; (c) expenses incurred in relation to the Listing (one-off in nature); (d) finance costs arising from the buy-out loan from a related company, which was repaid subsequent to the Listing and is no longer outstanding; (e) bonus to managements and employees as a result of the completion of the Listing, and (f) deferred tax liability arising from other intangible assets, which primarily relates to the Alma Acquisition. The Group calculates adjusted net profit margin by dividing adjusted net profit by revenue.

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

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

	2017	2016
	US$'000	*US$'000*
PROFIT FOR THE YEAR	11,049	8,501
Adjusted for:		
Amortization of other intangible assets arising from the Alma acquisition	4,827	4,885
Capital Notes imputed interest expenses	3,079	4,176
Listing expenses	2,975	3,559
Bonus to managements and employees relating to IPO	3,884	—
Interest expense from a related party loan	248	155
One-off impact on opening deferred tax from changes in tax rate*	114	—
Deduct: deferred tax arising from other intangible assets	(912)	(923)
Adjusted net profit	25,264	20,353
Adjusted net profit margin	18.5%	17.2%

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

6. DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

A. Gearing Ratio

As at December 31, 2017, the Group's cash and cash equivalents exceeded total debt. As such, no gearing ratio as at December 31, 2017 was presented. As at December 31, 2016, the gearing ratio was 81.8%. Net debt includes interest-bearing bank borrowings, the Capital Notes and a loan from a related party, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The Capital Notes were capitalized upon the Listing on September 19, 2017.

B. Interest Coverage

During the Reporting Period, the interest coverage, which is calculated by EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) divided by finance costs, was 5.1 times as compared to 3.5 times in 2016. The interest coverage increased mainly because the Group's EBITDA during the Reporting Period increased by 10.6% to US$27.0 million from US$24.4 million in 2016, and finance cost decreased by 23.5% to US$5.3 million from US$7.0 million in 2016.

C. Available Facilities

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

D. Interest Rate

As at December 31, 2017, total interest-bearing bank and other borrowings at a floating interest rate amounted to US$11.1 million (December 31, 2016: US$48.9 million).

E. Maturity Structure of Outstanding Debts

The following table sets forth the maturity structure of outstanding debts as at December 31, 2017 and 2016.

	2017			**2016**		
	Effective interest rate *(%)*	*Maturity*	*US$'000*	**Effective interest rate** *(%)*	*Maturity*	*US$'000*
Current						
Current portion of long-term bank loans, secured	6-month LIBOR+ 3.75	2018	4,321	6-month LIBOR+ 3.75	2017	12,246
Non-current						
Bank loan, secured	6-month LIBOR+ 3.75	2020	6,761	6-month LIBOR+ 3.75	2020	36,672
			11,082			48,918

Note: LIBOR stands for London Interbank Offered Rate.

	2017	2016
	US$'000	US$'000
Loan balance	11,611	49,857
Less: loan arrangement fees	529	939
	11,082	48,918
Analyzed into:		
Within one year	4,321	12,246
In the second year	4,861	13,995
In the third to fifth years, inclusive	1,900	22,677
	11,082	48,918

F. Collateral and Pledged Assets

On April 13, 2014, the Company entered into a loan agreement of US$82.0 million pursuant to which an unconditional guarantee agreement with the banks was entered into, pursuant to which the Company granted and pledged to the banks a continuing security interest in all the Company's assets. In addition, the Company granted and pledged to the banks all of the issued and outstanding shares of Alma and a floating charge over all of the present and future assets of the Company as they may be from time to time. The Company also agreed not to sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its assets. The loan was to be repaid in twelve semi-annual instalments commencing in October 2014. On December 31, 2014 and October 16, 2017, the Company paid US$9.9 million and early repayment of US$26.0 million, respectively. As at December 31, 2017, the Company has met all the aforementioned financial covenants. The remaining balance of the loan amounted to US$ 11.1 million as at December 31, 2017, which is fully covered by the Company's cash balance.

7. CASH FLOW

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principals of debts due, paying for purchases and capital expenditures, and funding the growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for 2017 and 2016.

	2017	**2016**
	US$'000	*US$'000*
Net cash flows from operating activities	17,057	16,013
Net cash flows used in investing activities	(44,743)	(4,182)
Net cash flows from/(used in) financing activities	48,171	(13,052)
Net increase/(decrease) in cash and cash equivalents	20,485	(1,221)
Effect of foreign exchange rate changes, net	(509)	70
Cash and cash equivalents at beginning of the year	18,105	19,256
Cash and cash equivalents at end of the year	38,081	18,105
Pledged bank balances for long-term bank loans	56	48
Term deposits with original maturity of more than three months	66,000	23,500
Cash and bank balances as stated in the consolidated statements of financial position	104,137	41,653

Net cash flows from operating activities

For the year ended December 31, 2017, the net cash flows from operating activities were US$17.1 million, which was primarily attributable to (i) the profit before tax of US$15.8 million, (ii) total adjustments for profit or loss items of US$12.1 million, (iii) working capital adjustments of US$4.6 million, and (ii) income tax paid of US$6.3 million.

Net cash flows used in investing activities

For the year ended December 31, 2017, the net cash flows used in investing activities were US$44.7 million, which was primarily attributable to (i) an increase of US$42.5 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 and (ii) US$1.9 million in licences agreement purchase.

Net cash flows used in financing activities

For the year ended December 31, 2017, the net cash flows from financing activities was US$48.2 million, which was primarily attributable to proceeds from the an IPO of US$103.2 million, partially offset by (i) repayment of bank loans of US$38.2 million, (ii) repayment of related party loan and interest of US$10.1 million, (iii) payment of share issue expenses of US$5.2 million, and (iv) interest paid of US$2.1 million mainly in relation to our bank loans.

8. CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

During the Reporting Period, capital expenditures of the Group amounted to US$2.8 million, which mainly consisted of additions to property, plant and equipment and other intangible assets.

As at December 31, 2017, the Group did not have any significant capital commitments.

9. CONTINGENT LIABILITIES

As at December 31, 2017, the Group did not have any contingent liabilities.

10. MATERIAL ACQUISITION AND DISPOSAL

During 2017, the Group did not conduct any material acquisition or disposal.

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

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

B. Interest Rate Exposure

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

12. Employees and Remuneration Policies

The following table sets forth the number of the employees by function as at December 31, 2017:

Function	Number of Employees
Operations	151
R&D	56
Sales & Marketing	146
G&A	28
Total	381

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Group is committed to creating two-way channels of communication between senior management and investors, maintaining close relations with all its shareholders through a variety of channels and promoting understanding and communication between investors and the Group. The Company has adopted a shareholders' communication policy to formalize and facilitate effective and healthy communication between the Company, the shareholders and other stakeholders, which is available on the website of the Group (http://www.sisram-medical.com). The main communication channels with the shareholders include investors' meetings, general meetings, annual reports, interim reports, announcements and circulars and the Company's website.

The Group has a dedicated team to maintain contact with investors and handle shareholders' inquiries. Should investors have any inquiries, please contact the Group's investor relationship department (email: info@sisram-medical.com).

FINAL DIVIDEND

The Board has not recommended the payment of any final dividend for the year ended December 31, 2017.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on June 12, 2018. A notice convening the annual general meeting of the Company will be published and dispatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain shareholders' entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Thursday, June 7, 2018 to Tuesday, June 12, 2018 (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Wednesday, June 6, 2018.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Since the Listing Date, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

Since the Listing Date, the Company has complied with all applicable principles and code provisions of the CG Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Directors' and Chief Executive Officer's Dealing Policy which is no less exacting than the required standard pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all of the directors of the Company, all directors of the Company confirmed that they have fully complied with the relevant requirements set out in its own code of conduct since the Listing Date.

AUDITORS

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2017 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2017 annual results and the financial statements for the year ended December 31, 2017 prepared in accordance with the IFRSs.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.sisram-medical.com. The 2017 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company in due course and will be published on the websites of the Company and the Stock Exchange.

APPRECIATION

The Group would like to express its appreciation to all the staff for their outstanding contribution towards the Group's development. The Board wishes to sincerely thank the management for their dedication and diligence, which are key factors for the Group to continue its success in future. Also, the Group wishes to extend its gratitude for the continued support from its shareholders, customers, and business partners. The Group will continue to deliver sustainable business development, so as to create more values for all its shareholders.

On behalf of the Board
Sisram Medical Ltd
Yi LIU
Chairman

Hong Kong, March 19, 2018

As at the date of this announcement, the board of directors of the Company comprises Mr. Yi LIU, Mr. Lior Moshe DAYAN and Mr. Jianping HUA as executive directors; Mr. Yifang WU, Mr. Yao WANG, and Ms. Yang YANG as non-executive directors; Mr. Heung Sang Addy FONG, Mr. Chi Fung Leo CHAN, Ms. Jenny CHEN and Mr. Kai Yu Kenneth LIU as independent non-executive directors.