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Sisram Medical Ltd

(Incorporated in Israel with limited liability)

(Stock Code: 1696)

DISCLOSEABLE TRANSACTION

PROPOSED ACQUISITION OF AN AGGREGATE OF 60% EQUITY INTEREST IN NOVA MEDICAL ISRAEL LTD.

SHARE PURCHASE AGREEMENT

The Initial Acquisition

The Board is pleased to announce that, on 16 November 2018, Alma Lasers, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with Mr. Ofer Gerassi, Mrs. Sabina Biran, Mr. Jacob Sayef Aaron and the Target Company, pursuant to which, Alma Lasers has agreed to (i) acquire the Initial Purchased Shares beneficially owned by Mrs. Biran and Mr. Aaron, (ii) subscribe for the Allocated Shares to be issued by the Target Company and (iii) acquire the Ofer Purchased Shares from Mr. Gerassi. Immediately following the completion of the Initial Acquisition, Alma Lasers and Mr. Gerassi will hold 60% and 40% of the total issued shares of the Target Company, respectively, and the Target Company will become a subsidiary of the Company.

The Options

Pursuant to the Share Purchase Agreement, Alma Lasers shall have a Call Option to require Mr. Gerassi to sell, and Mr. Gerassi shall have a Put Option to require Alma Lasers to purchase, all shares in the Target Company held by Mr. Gerassi, representing 40% of the total issued shares of the Target Company, in accordance with the terms of the Share Purchase Agreement.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in relation to the Initial Acquisition exceeds 5% but is less than 25%, the Initial Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.75(1) of the Listing Rules, as the exercise of the Call Option is at the discretion of Alma Lasers, on the grant of the Call Option, the premium, being the price paid and/or payable by Alma Lasers to acquire the Call Option, will be taken into consideration for purpose of classification of notifiable transaction. As Alma Lasers did not pay any premium for the Call Option, the Call Option is exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.74(1) of the Listing Rules, as the exercise of the Put Option is not at the Company's discretion, the Put Option will be classified as if it had been exercised upon its granting. As the highest applicable percentage ratio in relation to the Put Option exceeds 5% but is less than 25%, the Put Option is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

On an aggregated basis, as the highest applicable percentage ratio in relation to the Initial Acquisition and the Put Option exceeds 5% but is less than 25%, the Initial Acquisition and the Put Option are subject to the reporting and announcement requirements but are exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Company will comply with the relevant requirements of the Listing Rules if and when the Call Option or the Put Option is exercised.

As completion of the Initial Acquisition is conditional on the satisfaction or waiver of the Conditions, it may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

1. INTRODUCTION

The Board is pleased to announce that, on 16 November 2018, Alma Lasers, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Sellers and the Target Company.

2. SHARE PURCHASE AGREEMENT

The principal terms of the Share Purchase Agreement are set out below:

(a) Reorganization of the Share Capital of the Target Company

In connection with the Proposed Transaction, the Target Company will undertake a reorganization of registered and issued share capital such that prior to completion of the Initial Acquisition, the issued share capital of the Target Company will comprise of 277,800 shares.

(b) The Initial Acquisition

Subject to the satisfaction or waiver of the Conditions, the Initial Acquisition will comprise the following transactions:

- (i) *Purchase of the Initial Purchased Shares:*** Alma Lasers will purchase all shares in the Target Company beneficially held by Mrs. Biran and Mr. Aaron (the “**Initial Purchased Shares**”) for a price per share calculated as (a) the target company valuation of NIS50,000,000 (the “**Target Company Valuation**”), divided by (b) 277,800 (i.e., the total issued and outstanding share capital of the Target Company) (such total amount, the “**Initial Purchase Price**”). The Target Company Valuation was determined by the parties after arm’s length negotiation and taking into consideration, among other things, the financial position and business prospects of the Target Company;
- (ii) *Issue of new shares of the Target Company to Alma Lasers:*** following the purchase of the Initial Purchased Shares, the Target Company will issue to Alma Lasers 13,890 shares (the “**Allocated Shares**”) in consideration for the investment of NIS 2,500,000 (the “**Investment Amount**”) to be paid by Alma Lasers; and
- (iii) *Purchase of the Ofer Purchased Shares:*** immediately following the issuance of the Allocated Shares described above, Alma Lasers will purchase from Mr. Gerassi 133,324 shares (the “**Ofer Purchased Shares**”) at a price per share based on a company value equal to the Target Company Valuation plus the Investment Amount (i.e, NIS52.5 million, the “**New Company Valuation**”) so that on completion of the Initial Acquisition, Mr. Gerassi and Alma Lasers will hold 40% and 60% of the issued and outstanding share capital of the Target Company, respectively (such total amount, the “**Ofer Purchase Price**, together with the Initial Purchase Price and the Investment Amount, the “**Aggregate Purchase Price**”).

(c) The Aggregate Purchase Price

Assuming no set-off and adjustment are made to the Deferred Consideration (as described below), the Aggregate Purchase Price will be NIS31,650,000 (approximately HK\$67,278,405). Assuming the payment of the maximum amount of the Deferred Consideration, the Company expects that the Aggregate Purchase Price will be NIS40,650,000 (approximately HK\$86,409,705).

(d) Conditions to the Initial Acquisition

The obligations of Alma Lasers to complete the Initial Acquisition shall be subject to the satisfaction, or waiver by Alma Lasers in its sole discretion, of certain conditions, including among others:

- (i) the Sellers have procured or caused the Target Company to procure, and provided copies to Alma Lasers the written consent of all parties required under the Share Purchase Agreement;
- (ii) no governmental authority and no other entity shall have commenced or threatened any legal proceeding challenging any of the transactions contemplated under the Share Purchase Agreement, or seeking recovery of damages in connection with any such transactions, or which may otherwise affect the value of the transaction to Alma Lasers;
- (iii) no material adverse change in the business, results of operations, condition (financial or otherwise) of the Target Company, shall have occurred since the date of the Share Purchase Agreement; and
- (iv) the Target Company shall have such amount of working capital, equity and cash reserves no less than certain amounts and shall have net debt not exceeding certain amount, all of which are to be determined in accordance with the term of the Share Purchase Agreement.

The obligations of the Sellers to complete the Initial Acquisition shall be subject to the satisfaction, or waiver jointly by the Sellers in their sole discretion, of certain conditions, including among others, that no governmental authority and no other entity shall have commenced or threatened any legal proceeding challenging any of the transactions contemplated under the Share Purchase Agreement, or seeking recovery of damages in connection with any such transactions.

The obligations of the Parties to complete the Initial Acquisition shall be subject to the satisfaction, or a waiver by both Alma Lasers and Sellers, in their sole discretion, of the condition that the authorization, if required, for the transaction contemplated under the Share Purchase Agreement from the Israeli Antitrust Authority having been obtained.

(e) Consideration and Payment

85% of the Initial Purchase Price (in equal parts to Mrs. Biran and Mr. Aaron) and 85% of the Ofer Purchase Price respectively shall be payable, subject to and at the time of the closing of the Initial Acquisition, which is occur at the end of the month in which all conditions set forth in the Share Purchase Agreement have been fulfilled or waived by the applicable parties.

15% of the Initial Purchase Price (in equal parts to Mrs. Biran and Mr. Aaron) and 15% the Ofer Purchase Price respectively shall be payable in three equal instalments (the “**Deferred Consideration**”). Alma Lasers shall pay each Deferred Consideration installment to the Sellers, subject to the timing of the issue of the audited financial statements of the Company for the applicable financial year, not later than 90 days after 31 December 2018, 2019 and 2020 (the “**Deferred Consideration Payment Date**”).

Each Seller’s right to receive each Deferred Consideration payment shall be subject to the achievement by the Target Company of at least 80% of certain financial targets and the amount of the Deferred Consideration payable to each Seller will be subject to set-off and adjustment depending on the level of achievement of those financial targets, the amount of shortfall in the working capital below the required working capital of the Target Company in that year determined in accordance with the terms of the Share Purchase Agreement and any claim for damages by Alma Lasers arising from Sellers’ breach of representations and/or warries under the Share Purchase Agreement. The Deferred Consideration after set-off and adjustment shall not in any event exceeds three times of the Deferred Consideration before any set-off and adjustment. In addition, if Mr. Gerassi terminates its service agreement with the Target Company for certain reasons, Mr. Gerassi shall be deemed to have waived all remaining Deferred Consideration not already paid to him.

The Investment Amount will be paid to the Target Company at the time of the issue of the Allocated Shares.

(f) Call Option and Put Option

Pursuant to the Share Purchase Agreement, Alma Lasers shall have a Call Option to require Mr. Gerassi to sell, and Mr. Gerassi shall have a Put Option to require Alma Lasers to purchase, all shares in the Target Company held by Mr. Gerassi, representing 40% of the total issued shares of the Target Company (the “**Minority Shares**”). The Options can be exercised in a first tranche with respect to either 100% of the Minority Shares or with respect to 50% of the Minority Shares, and a second tranche of all 100% of remaining Minority Shares, all at any time during the maturity period. The maturity period referred to above means the period of 30 days commencing on the day the Company publishes its annual audited financial statements for the years of 2020, 2021 and 2022. If such audited financial reports shall be published by the Company later than 90 days after the end of each applicable year for whatever reason or cause, then the maturity period shall be 60 days after 90 days have elapsed since the end of that year.

The price upon exercise of the Call Option or the Put Option shall be calculated, pro-rata to the percentage of the issued and outstanding shares of the Target Company comprised by the Minority Shares in respect to which the Option is being exercised, based on a company value calculated as (i) the average EBITDA of the Target Company for the last three preceding years as reflected in its latest audited annual financial statements, *multiplied by 6.41*, (ii) *then subtracting* the following: any net debt and any shortfall in net working capital below the required working capital determined in accordance with the term of the Share Purchase Agreement. Notwithstanding anything to the contrary, in the event of exercise of the Put Options, the Target Company’s value for the calculation of the exercise price shall not exceed an amount of NIS96,517,000.

In the event that any exercise of the Call Option or the Put Option (alone, or more than one in aggregate) will result in Alma Lasers being the sole remaining shareholder in the Target Company, then Alma Lasers may instruct (and all Sellers irrevocably consent) that the Target Company shall repurchase the relevant Minority Shares in lieu of purchase by Alma Lasers, subject to applicable law, provided however that such a repurchase of the Minority Shares by the Target Company shall not expose Sellers to any greater tax obligations to which they would not have been exposed if the Minority shares would have been purchased by Alma Lasers.

(g) Termination

The Share Purchase Agreement may be terminated prior to the completion of the Initial Acquisition by:

- (i) mutual written consent;
- (ii) either Alma Lasers, or the Sellers, by delivering written notice to all Parties, if the Initial Acquisition has not occurred prior to 120 days following the 31 August 2018, provided that this right to terminate the Share Purchase Agreement shall not be available to any Party whose breach of any provision of the Share Purchase Agreement resulted in the non-occurrence of the completion of the Initial Acquisition;
- (iii) either Alma Lasers or the Sellers by delivering written notice to all Parties, at any time, in the event of a material breach of any representation, warranty or undertaking contained in the Share Purchase Agreement binding upon the opposite Party, which breach cannot be cured, or has not been cured within 21 days after written notice of the breach was provided; or
- (iv) either Alma Lasers or the Sellers if the Israeli Antitrust Authority authorization is required and an application is finally rejected.

3. INFORMATION ON THE TARGET COMPANY

The Target Company is a private company organized under the laws of Israel and is primarily engaged in distribution of medical and aesthetic products in Israel.

Based on the audited consolidated financial statements of the Target Company for the financial years ended 31 December 2016 and 2017 prepared in accordance with the generally accepted accounting principles in Israel (the “**Israeli GAAP**”), the net profits before and after taxation and extraordinary items) for the financial years ended 31 December 2016 and 2017 are set out below:

	Year ended 31 December	
	2016	2017
Net profit before taxation and extraordinary items	NIS4,463,069 (approximately HK\$9,487,145)	NIS10,322,782 (approximately HK\$21,943,137)
Net profit after taxation and extraordinary items	NIS3,349,430 (approximately HK\$7,119,883)	NIS7,860,578 (approximately HK\$16,709,230)

Based on the audited consolidated financial statements of the Target Company for the year ended 31 December 2017 prepared in accordance with the Israeli GAAP, the audited net assets of the Target Company as at 31 December 2017 was approximately NIS8,133,163 (approximately HK\$17,288,665).

4. INFORMATION ON THE PARTIES

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 often feature its innovative and proprietary technologies. Alma Lasers is the principal operating subsidiary of the Company, which was incorporated under the laws of Israel in October 1999.

Mr. Ofer Gerassi, Mrs. Sabina Biran, Mr. Jacob Sayef Aaron are residents of Israel and the beneficial owners of the Target Company as at the date of this announcement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Mr. Ofer Gerassi, Mrs. Sabina Biran, Mr. Jacob Sayef Aaron is a third party independent of the Company and connected persons of the Company.

5. REASONS FOR, AND BENEFITS OF, THE PROPOSED TRANSACTION

The Company sells its products in approximately 80 countries and jurisdictions worldwide through direct sales to treatment providers or distributors, who in turn on-sell the Company's products to treatment providers or sub-distributors. The Target Company has a long-term relationship with the Company and has been distributing the products of the Company in Israel since 2007. Through the Proposed Transaction, the Company could consolidate its distribution operation and gain more market opportunities for its products in Israel.

The Directors, having regard to the reasons and benefits of the Proposed Transaction referred to above, consider that the terms of the Proposed Transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

6. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in relation to the Initial Acquisition exceeds 5% but is less than 25%, the Initial Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.75(1) of the Listing Rules, as the exercise of the Call Option is at the discretion of Alma Lasers, on the grant of the Call Option, the premium, being the price paid and/or payable by Alma Lasers to acquire the Call Option, will be taken into consideration for purpose of classification of notifiable transaction. As Alma Lasers did not pay any premium for the Call Option, the Call Option is exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.74(1) of the Listing Rules, as the exercise of the Put Option is not at the Company's discretion, the Put Option will be classified as if it had been exercised upon its granting. As the highest applicable percentage ratio in relation to the Put Option exceeds 5% but is less than 25%, the Put Option is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

On an aggregated basis, as the highest applicable percentage ratio in relation to the Initial Acquisition and the Put Option exceeds 5% but is less than 25%, the Initial Acquisition and the Put Option are subject to the reporting and announcement requirements but are exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Company will comply with the relevant requirements of the Listing Rules if and when the Call Option or the Put Option is exercised.

7. GENERAL

As completion of the Initial Acquisition is conditional on the satisfaction or waiver of the Conditions, it may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

8. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Alma Lasers”	Alma Lasers Ltd., a company incorporated in Israel with limited liability and the main operating subsidiary of the Company
“Board”	the board of Directors

“Call Option”	a call option granted to Alma Lasers to purchase, and to require Mr. Ofer Gerassi to sell, all shares held by Mr. Gerassi in the Target Company pursuant to the terms of the Share Purchase Agreement
“Company”	Sisram Medical Ltd, a company incorporated in Israel with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 1696)
“Conditions”	the conditions precedent to the completion of the Initial Acquisition as set out in the Share Purchase Agreement
“Director(s)”	the director(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Initial Acquisition”	the proposed acquisition of an aggregate of 60% equity interest in the Target Company as contemplated under the Share Purchase Agreement
“Israel”	the State of Israel
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“NIS”	the official currency of Israel
“Options”	the Call Option and the Put Option
“Parties”	the parties to the Share Purchase Agreement
“Proposed Transaction”	the transactions contemplated under the Share Purchase Agreement, including the Initial Acquisition and the grant of the Options
“Put Option”	a put option granted to Mr. Ofer Gerassi to sell, and to require Alma Lasers to purchase, all shares held by Mr. Gerassi in the Target Company pursuant to the terms of the Share Purchase Agreement
“Sellers”	Mr. Ofer Gerassi, Mrs. Sabina Biran, Mr. Jacob Sayef Aaron
“Share Purchase Agreement”	the share purchase agreement between Alma Lasers, Mr. Ofer Gerassi, Mrs. Sabina Biran, Mr. Jacob Sayef Aaron and the Target Company dated 16 November 2018

“Target Company” Nova Medical Israel Ltd., a private company organised under the laws of Israel

“%” per cent.

In this announcement, save as expressly stated otherwise, the HK\$ amounts have been converted from NIS amounts at the rate of NIS1 to HK\$2.1257 as of 9 November 2018. Such conversion is for illustration purposes only. No representation is made that the NIS amounts have been or could have been or could be converted into HK\$, or vice versa, at such rate or at any other rates on any relevant dates.

On Behalf of the Board
Sisram Medical Ltd
Yi LIU
Chairman

Hong Kong, 16 November 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.