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Sisram Medical Ltd
復銳醫療科技有限公司*

(Incorporated in Israel with limited liability)

(Stock Code: 1696)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2018 was US$153.9 million, up by 12.4% as compared to the revenue for the previous year.
- Profit attributable to owners of the parent for the year ended December 31, 2018 was US$21.8 million, up by 97.6% as compared to that for the previous year.
- Adjusted net profit for the year ended December 31, 2018 was US$29.5 million, up by 16.6% as compared to that for the previous year.

FINAL DIVIDEND

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

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, 2018 (the "**Reporting Period**"), prepared under International Financial Reporting Standards ("**IFRSs**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2018	2017
		US$'000	*US$'000*
REVENUE	4	153,919	136,887
Cost of sales		(71,622)	(63,690)
Gross profit		82,297	73,197
Other income and gains	4	2,109	2,057
Selling and distribution expenses		(32,662)	(26,059)
Administrative expenses		(14,774)	(13,862)
Research and development expenses		(10,380)	(12,399)
Other expenses		(2,863)	(1,780)
Finance costs	6	(943)	(5,333)
PROFIT BEFORE TAX	5	22,784	15,821
Income tax expense	7	(953)	(4,772)
PROFIT FOR THE YEAR		21,831	11,049
Profit attributable to:			
Owners of the parent		21,831	11,049
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the year (US$ cents)	9	4.94	3.88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2018	2017
	US$'000	*US$'000*
NON-CURRENT LIABILITIES		
Contract liabilities	423	—
Interest-bearing bank borrowings	—	6,761
Deferred tax liabilities	10,082	10,686
Deferred income	—	573
Other long-term liabilities	1,296	1,096
Total non-current liabilities	11,801	19,116
NET ASSETS	314,100	292,976
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,254	1,254
Reserves	312,846	291,722
Total equity	314,100	292,976

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 July 28, 2016, the Company acquired all the remaining shares held by the non-controlling shareholders of Alma. As a result of the transaction, and as of the date of this announcement, the Company held 100% of Alma's shares.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

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

IFRS 9 *Financial Instruments*

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

(a) Classification and measurement

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

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

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

- *Debt instruments at amortized cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's *Trade and other receivables.*

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

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

- *Equity instruments at FVOCI*, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

- *Financial assets at FVPL* comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's quoted equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to quoted equity securities, which had been previously recognized under accumulated OCI, was reclassified to retained earnings.

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

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

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

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

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

(b) Impairment

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

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

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

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

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

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

(c) Hedge accounting

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

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

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

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

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

(b) Non-current assets

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

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

Information about a major customer

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

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

(i) Disaggregated revenue information

For the year ended December 31, 2018

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

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

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

(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 120 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Services provided

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

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

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

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

Other income and gains

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

5. PROFIT BEFORE TAX

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

	2018	2017
	US$'000	*US$'000*
Cost of inventories sold	48,496	44,145
Cost of services and others	23,126	19,545
Employee benefit expense (including directors' and senior management's remuneration):		
Wages and salaries	22,844	21,083
Listing bonuses	3,992	3,884
Defined benefit plan costs	727	816
	27,563	25,783
Research and development expenses:		
Current year expenditure	10,380	12,399
Listing expenses	—	2,975
Auditors' remuneration	262	445
Minimum lease payments under operating leases	2,064	1,970
Depreciation	871	877
Amortization of other intangible assets	4,950	4,985
Provision for impairment of inventories	1,485	1,083
Provision for impairment of trade receivables (note 9)	884	697
Foreign exchange differences, net	494	(1,191)

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

7. INCOME TAX

The Israeli corporate tax rate applicable to the Company was 23% and 24% for the years ended December 31, 2018 and 2017, respectively. Each entity in the Group is taxable based on its standalone results as measured by the local tax system.

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

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

In December 2016, the Israeli Knesset passed Amendment 73 to the Investment Law, which included a number of changes to the Investments Law regime. Certain changes were scheduled to come into effect beginning January 1, 2017, provided that regulations are promulgated by the Finance Ministry to implement the "Nexus Principles" based on 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 10 billion NIS. In cases where the parent company and all subsidiaries have more than NIS10 billion of consolidated revenues, the tax rate will be 6% in all of Israel regions.

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

The following applies to SPTE:

- A 6% capital gains tax rate on the sale of a preferred intangible asset to a foreign affiliated enterprise, in accordance with the criteria mentioned in the law.

- A withholding tax rate of 20% for dividends paid from Preferred Technology Enterprise income (with an exemption from such withholding tax applying to dividends paid to an Israeli company). Such rate may be reduced to 4% on dividends paid to a foreign resident company, subject to certain conditions regarding the percentage of foreign ownership of the distributing entity.

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

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

Rate Reduction

The TCJA reduces the U.S. federal corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2018. In addition, the TCJA has made certain changes to the depreciation rules and was implemented new limits on the deductibility of certain expenses and deduction.

The Company recorded a reduction of its deferred tax assets and deferred tax liabilities as of December 31, 2018, with a net impact of approximately US$114,000, which was charged to the statement of profit or loss.

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

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

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

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

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

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:

	2018	2017
Profit before tax	22,784	15,821
Statutory tax rate	23.0%	24.0%
Tax at the statutory tax rate	5,240	3,797
Different tax rates for certain entities	(3,105)	(1,779)
Effect on opening deferred tax from changes in tax rates	625	114
Expenses not deductible for tax	462	2,046
Taxes in respect of previous years	(2,343)	480
Others	74	114
Total tax charge for the year	953	4,772

8. DIVIDEND

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

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 Reporting Period attributable to ordinary equity holders of the parent, and the weighted average number of the Company's ordinary shares (the "**Shares**") of 442,155,600 (year ended December 31, 2017: 284,694,839) in issue during the Reporting Period.

The calculation of basic earnings per share is based on:

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

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

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

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

10. TRADE RECEIVABLES

	2018 *US$'000*	2017 *US$'000*
Trade receivables	37,877	36,308
Impairment	(1,387)	(1,059)
	36,490	35,249

The Group's trading terms with its customers are mainly on credit. The ordinary credit period is up to 120 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 at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

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

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

	2018	**2017**
	US$'000	*US$'000*
At beginning of year	1,059	978
Impairment losses recognized (note 5)	884	697
Written off	(556)	(616)
At the end of year	1,387	1,059

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). 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.

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

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

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

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

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:

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

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

12. EVENTS AFTER THE REPORTING PERIOD

On January 15, 2019, the Company acquired an aggregate of 60% equity interest in Nova Medical Israel Ltd. for a total consideration of NIS31,650,000 (equivalent to approximately US$8,592,000), assuming no set-off and adjustment are made to the deferred consideration (as defined in the share purchase agreement).

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. OUTLOOK FOR 2019

In 2019, Sisram will continue to be committed to its mission to provide modular, cost-effective and high-performance systems based on the very latest clinical research and cutting-edge technology, adhere to its corporate philosophy of "Enhancing Quality of Life". It will endeavor to capture the opportunities presented by the broad aesthetic and surgical markets, executing the development strategies of organic growth, external expansion and integrated development, and step up its efforts to acquire and integrate with domestic and overseas quality aesthetic and surgical manufacturing companies. We intend to fully exploit the global rising demand for body contouring, dermatology and feminine health treatments to further expand our market share and bolster our position in each territory.

We plan to focus on the following missions:

1. Leverage our upgraded sales channels in the United States;

2. Further implement our Smart Clinic (IoT) technology into additional treatment systems;

3. Allocate research and development resources to explore the combination of energy sources and pharmaceuticals, develop technologies, products and protocols that will best utilize the findings of the Company's research;

4. Increase funding for clinical studies;

5. In-depth Chinese market planning and execution ramp-up, aligned with recent governmental business initiatives aimed at improving business environment;

6. Implementing a new ERP system; and

7. Integrate Nova Medical Ltd. business and operations as a direct sale commencing the closing of the mergers and acquisitions on January 15, 2019.

3. FINANCIAL REVIEW

Overview

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

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

	2018		**2017**		
	(US$ in thousands, except for percentages)				
	Amount	*% of revenue*	*Amount*	*% of revenue*	YOY %
REVENUE	153,919	100.0%	136,887	100.0%	12.4%
Cost of sales	(71,622)	46.5%	(63,690)	46.5%	12.5%
Gross profit	82,297	53.5%	73,197	53.5%	12.4%
Other income and gains	2,109	1.4%	2,057	1.5%	2.5%
Selling and distribution expenses	(32,662)	21.2%	(26,059)	19.0%	25.3%
Administrative expenses	(14,774)	9.6%	(13,862)	10.1%	6.6%
Research and development expenses	(10,380)	6.7%	(12,399)	9.1%	(16.3%)
Other expenses	(2,863)	1.9%	(1,780)	1.3%	60.8%
Finance costs	(943)	0.6%	(5,333)	3.9%	(82.3%)
PROFIT BEFORE TAX	22,784	14.8%	15,821	11.6%	44.0%
Income tax expense	(953)	0.6%	(4,772)	3.5%	(80.0%)
PROFIT FOR THE YEAR	21,831	14.2%	11,049	8.1%	97.6%

A. Revenue

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

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

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

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

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

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

Revenue by geographic segments

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

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

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

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

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

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

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

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

B. Cost of sales

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

C. Gross profit and gross profit margin

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

D. Selling and distribution expenses

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

E. Administrative expenses

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

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

F. Research and development ("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 research development efforts; (iii) expenses related to clinical studies; and (iv) expenses related to regulatory compliance and registration of patents and trademarks. During the Reporting Period, all research and development expenses were recorded in the period that such expenses were incurred and were not capitalized.

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

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

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

G. Finance costs

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

H. Income tax expense

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

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

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

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

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

I. Profit for the year

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

J. Adjusted net profit and adjusted net profit margin

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

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

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

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

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

4. DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

A. Gearing Ratio

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

B. Interest Coverage

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

C. Available Facilities

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

D. Interest Rate

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

E. Maturity Structure of Outstanding Debts

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

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

Note: LIBOR stands for London Interbank Offered Rate.

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

F. Collateral and Pledged Assets

On April 13, 2014, the Company entered into a loan agreement of US$82.0 million pursuant to which an unconditional guarantee agreement with the banks was entered into, pursuant to which the Company granted and pledged to the banks a continuing security interest in all the Company's assets. In addition, the Company granted and pledged to the banks all of the issued and outstanding shares of Alma and a floating charge over all of the present and future assets of the Company as they may be from time to time. The Company also agreed not to sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its assets. The loan was to be repaid in twelve semi-annual instalments commencing in October 2014. On December 31, 2014, October 16, 2017, April 13, 2018, October 15, 2018, the Company paid US$9.9 million, early repayment of US$26.0 million US$2.2 million and US$7.2 million, respectively. As at December 31, 2018, the Company has met all the aforementioned financial covenants. The remaining balance of the loan amounted to US$ 2.2 million as at December 31, 2018, which is fully covered by the Company's cash balance.

5. CASH FLOW

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

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

Net cash flows from operating activities

For the year ended December 31, 2018, the net cash flows from operating activities were US$16.3 million, which was primarily attributable to: (i) the profit before tax of US$22.8 million; (ii) total adjustments for profit or loss items of US$7.0 million; (iii) working capital adjustments of US$7.9 million; and (iv) income tax paid of US$5.7 million.

Net cash flows used in investing activities

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

Net cash flows used in financing activities

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

6. CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

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

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

7. CONTINGENT LIABILITIES

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

8. MATERIAL ACQUISITION AND DISPOSAL

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

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

9. SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

10. RISK MANAGEMENT

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

A. Foreign Currency Exposure

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

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

B. Interest Rate Exposure

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

11. EMPLOYEES AND REMUNERATION POLICIES

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

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

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

12. THE USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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 the effective and healthy communication between the Company and 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, prospectuses and the Group'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 resolved to declare a final dividend of HK$0.10 (inclusive of tax) per Share for the year ended December 31, 2018 (the "**2018 Final Dividend**"). A separate announcement will be made by the Company in relation to the record date for ascertaining shareholders' entitlement to the 2018 Final Dividend in due course.

TAXATION ON DISTRIBUTION OF DIVIDENDS

The withholding tax rate applicable to the Company in the distribution of the dividends to the shareholders depends on the source of the distributed earnings and the requirements under the Israeli Tax Ordinance and tax treaties. A further announcement will be made by the Company after the withholding tax rate applicable to 2018 Final Dividend is confirmed.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save for those disclosed in this annual announcement, no major subsequent events have occurred since the end of the Reporting Period and up to the date of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Thursday, June 13, 2019. A notice convening the AGM will be published and dispatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM

In order to ascertain shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, June 10, 2019 to Thursday, June 13, 2019 (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the AGM, 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 Thursday, June 6, 2019.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

During the Reporting Period, the Company has complied with all principles and code provisions of the CG Code.

COMPLIANCE WITH 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 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 during the Reporting Period.

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, 2018 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 2018 annual results and the financial statements for the year ended December 31, 2018 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 2018 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 the 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 18, 2019

As at the date of this announcement, the board of directors of the Company comprises Mr. Yi LIU, Mr. Lior Moshe DAYAN and Mr. Guojun BU 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.

* *for identification purpose only*