Sisram Medical Ltd
復銳醫療科技有限公司*

(Incorporated in Israel with limited liability)

(Stock Code: 1696)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2019:

- Revenue was US$85.4 million, increased by 9.3% as compared to that for the six months ended June 30, 2018.
- Profit for the Reporting Period was US$13.9 million, increased by 23.2% as compared to that for the six months ended June 30, 2018.
- Profit for the Reporting Period attributable to owners of the parent was US$13.2 million, increased by 17.4% as compared to that for the six months ended June 30, 2018.

INTERIM DIVIDEND

- The Board resolved not to declare any interim dividend for the six months ended June 30, 2019.

RESULTS HIGHLIGHTS

The board of directors (the "**Board**") of Sisram Medical Ltd (the "**Company**" or "**Sisram**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**") for the six months ended June 30, 2019 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2018. The results have been prepared in accordance with International Financial Reporting Standards (the "**IFRSs**").

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Six months ended June 30, 2019 US$'000 (Unaudited)	2018 US$'000 (Unaudited)
REVENUE	4	85,432	78,155
Cost of sales		(36,460)	(36,296)
Gross profit		48,972	41,859
Other income and gains		1,438	897
Selling and distribution expenses		(20,122)	(15,830)
Administrative expenses		(7,586)	(6,805)
Research and development expenses		(4,944)	(4,876)
Other expenses		(1,674)	(1,077)
Finance costs		(511)	(526)
PROFIT BEFORE TAX	5	15,573	13,642
Income tax expense	6	(1,708)	(2,388)
PROFIT FOR THE PERIOD		13,865	11,254
Attributable to:			
Owners of the parent		13,209	11,254
Non-controlling interests		656	–
		13,865	11,254
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the period (US cents)	7	2.99	2.55

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30, 2019	2018
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
PROFIT FOR THE PERIOD	13,865	11,254
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	179	(479)
Effective portion of changes in fair value of hedging instruments arising during the period	78	(65)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	257	(544)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	257	(544)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14,122	10,710
Attributable to:		
Owners of the parent	13,466	10,710
Non-controlling interests	656	–
	14,122	10,710

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at June 30, 2019 *US$'000* *(Unaudited)*	As at December 31, 2018 *US$'000* *(Audited)*
NON-CURRENT ASSETS			
Plant and equipment		4,151	2,716
Right-of-use assets		8,423	–
Goodwill		111,183	108,351
Other intangible assets		61,368	59,089
Deferred tax assets		4,654	4,451
Other non-current assets		77	61
Total non-current assets		189,856	174,668
CURRENT ASSETS			
Inventories		33,073	27,520
Trade receivables	8	53,033	36,490
Prepayments, other receivables and other assets		4,133	3,205
Tax receivables		3,720	3,543
Derivative financial instruments		168	119
Cash and bank balances		102,768	104,530
Total current assets		196,895	175,407
CURRENT LIABILITIES			
Contract liabilities		2,862	2,216
Trade payables	9	12,838	6,947
Other payables and accruals		20,467	12,840
Interest-bearing bank and other borrowings		5,237	2,171
Total current liabilities		41,404	24,174
NET CURRENT ASSETS		155,491	151,233
TOTAL ASSETS LESS CURRENT LIABILITIES		345,347	325,901

	As at June 30, 2019	As at December 31, 2018
	US$'000	*US$'000*
	(Unaudited)	*(Audited)*
NON-CURRENT LIABILITIES		
Contract liabilities	276	423
Interest-bearing bank and other borrowings	6,381	–
Deferred tax liabilities	11,091	10,082
Other long-term liabilities	7,725	1,296
Total non-current liabilities	25,473	11,801
NET ASSETS	319,874	314,100
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,254	1,254
Reserves	318,620	312,846
Total equity	319,874	314,100

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended June 30, 2019 (the "Reporting Period") has been prepared in accordance with IAS 34 Interim Financial Reporting approved by the International Accounting Standards Board. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2018.

The interim condensed consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest thousand (US$' 000) except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") effective as of January 1, 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the adoption of these new and revised standards has no significant financial effect on the Group's interim condensed consolidated financial information.

(a) Adoption of IFRS 16

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

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

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases of short-term leases (elected by class of underlying asset). The Group has elected not to recognize right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

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

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before January 1, 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

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

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

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

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

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended December 31, 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from January 1, 2019:

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

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

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

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease plant and equipment for additional terms of three to six years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

Amounts recognized in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets			
	Plant	**Motor vehicles**	**Total**	**Lease liabilities**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
As at January 1, 2019	**7,425**	**1,660**	**9,085**	**9,085**
Additions	267	498	765	765
Depreciation charge	(1,100)	(362)	(1,462)	–
Interest expense	–	–	–	176
Payments	–	–	–	(1,762)
Exchange realignment	12	23	35	398
As at June 30, 2019	**6,604**	**1,819**	**8,423**	**8,662**

(b) Adoption of IFRIC 23

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

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.

4. REVENUE

An analysis of revenue is as follows:

	Six months ended June 30, 2019	2018
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Revenue from contracts with customers		
Sale of goods	77,297	72,002
Services provided	8,135	6,153
	85,432	78,155

Disaggregated revenue information for revenue from contracts with customers

	Six months ended June 30, 2019	2018
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Types of goods or services		
Sale of goods	77,297	72,002
Services provided	8,135	6,153
Total revenue from contracts with customers	85,432	78,155
Timing of revenue recognition		
Goods transferred at a point in time	77,297	72,002
Services transferred over time	8,135	6,153
Total revenue from contracts with customers	85,432	78,155

5. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging:

	Six months ended June 30, 2019	2018
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	25,366	25,366
Cost of services and others	11,094	10,930
Provision for impairment of inventories	637	322
Impairment of trade receivables	575	319
Foreign exchange differences, net	7	436

6. INCOME TAX

The Israeli corporate tax rates applicable to the Company were 23.0% for the six months ended June 30, 2018 and 2019. 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 Reporting Period. Taxes on taxable income assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Nova Medical Israel Ltd. ("**Nova**") is taxed based upon the tax law in Israel, the country of residence. Income was taxed at corporate income tax rate of 23.0% for the six months ended June 30, 2018 and 2019.

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

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

Applicable benefits under the new regime include:

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

A Special Preferred Technological Enterprise ("**SPTE**") – where the parent company total revenues are more than NIS10 billion in the tax year, its preferred income will be subject to a tax rate of 6%, regardless of the geographical location of the enterprise. On December 4, 2018, the Company received a ruling from the Israeli Income Tax Authority, which grants the Company the SPTE status, in accordance with the 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).

As of June 30, 2019, Alma Lasers Ltd. enjoyed a preferential new effective tax rate of 8.44%, for being a SPTE for the period ended June 30, 2019.

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 income of the Alma Lasers GmbH, a subsidiary incorporated in Germany, is taxed based upon the tax law in Germany, the country of residence. Income was taxed at a flat corporate income tax rate of 15% during the Reporting Period and was also subject to additional trade income taxes of 16.35% as applicable.

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

The income of Alma Medical Private Limited, a subsidiary incorporated in India, is taxed based upon the tax law in India, the country of residence. Income was taxed at a corporate income tax rate of 27.8% during the Reporting Period (which was not a flat rate but included many deductions/exemptions/rebates as per Income tax Act 1961) and was also subject to withholding taxes as per provisions of the said Income tax act 1961.

The income of the Alma Medical HK Ltd., a subsidiary incorporated in Hong Kong, is taxed based upon the tax law in Hong Kong, the country of residence. Income was taxed at a flat corporate income tax rate of 8.25% during the Reporting Period.

	Six months ended June 30,	
	2019	**2018**
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Current	1,260	3,055
Deferred	448	(667)
Total tax charge for the period	1,708	2,388

7. 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 six months ended June 30, 2019 and 2018 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 442,155,600 (six months ended June 30, 2018: 442,155,600) in issue during the period.

The calculation of basic earnings per share is based on:

	Six months ended June 30,	
	2019	**2018**
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	13,209	11,254

	Six months ended June 30, 2019	2018
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	442,155,600	442,155,600

No adjustment has been made to the basic earnings per share presented for the six months ended June 30, 2018 and 2019 as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. TRADE RECEIVABLES

	As at June 30, 2019 *US$'000* *(Unaudited)*	**As at December 31, 2018** *US$'000* *(Audited)*
Trade receivables	53,749	37,877
Impairment	(716)	(1,387)
	53,033	36,490

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

	As at June 30, 2019 *US$'000* *(Unaudited)*	**As at December 31, 2018** *US$'000* *(Audited)*
Within 1 month	27,026	12,302
1 to 2 months	6,031	5,168
2 to 3 months	2,942	3,775
Over 3 months	17,034	15,245
	53,033	36,490

9. TRADE PAYABLES

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

	As at June 30, 2019 *US$'000* *(Unaudited)*	**As at December 31, 2018** *US$'000* *(Audited)*
Within 1 month	10,501	5,361
1 to 2 months	2,337	1,468
2 to 3 months	–	118
	12,838	6,947

10. DIVIDENDS

The Directors did not recommend the payment of an interim dividend in respect of the Reporting Period (for six months period ended June 30, 2018: Nil).

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

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

2. Business review for the first half of 2019

Alma, our core subsidiary is celebrating its 20th anniversary this year. With this major milestone in mind, we began 2019 by reflecting, regrouping and refining our mission, long-term strategy and concrete workplan:

The Company has established a global sales and distribution network, with total revenue for the six months ended June 30, 2019 representing an increase of 9.3% compared to 2018 corresponding period, demonstrating a balanced geographical revenue mix, which is identical to the previous reporting period – 33.3% of revenues derived from the Western territories (North America and Latin America), 67.7% of revenues derived from the Eastern territories (Europe, the Middle East and Africa and Asia Pacific). See revenue by geographic segments section in the "Financial Review" section below.

The gross profit margin amounted to 57.3%, compared to 53.6% for the corresponding period in 2018, Gross profit increased by 17.0% due to higher direct sales versus distributors sales.

Research and Development

- Research and development employees headcount increased by 12.5% YOY

- We have launched 2 new products – (1) Soprano Titanium, the most advanced laser hair removal platform on the market today, that swept the market by storm, demonstrating 14.1% growth in the laser hair removal product line revenues YOY and (2) Colibri technology, a needle-thin Microplasma applicator designed for non-surgical blepharoplasty and wrinkles reduction, creating significant market traction

- On the clinical research front, we have initiated several clinical studies targeting safer, more effective treatments in the holistic treatments and feminine health domains

Sales and Marketing

- The infrastructure work and investment in developing and exceling our North America sales operation has already registered success with an amazing 27% revenues growth YOY

- Pursuing our methodology of "global presence with local specialty – think global, act local", we formed a global marketing committee, serving as an "advisory board" for marketing related issues, leveraging our vast knowledge and experience around the world, identifying best practices and implementing it where needed

Mergers and Acquisitions

- During the Reporting Period, we have completed the acquisition of 60% equity interest of Nova Medical lsrael Ltd. ("**Nova**"), our Israeli distributor, extending Alma's business outreach and establishing a direct operation in Israel. The acquisition is part of Alma's Direct-to-Consumer strategy, outlined in 2017, aimed at maintaining Alma's leading position in market and strengthening its brand awareness among consumers.

Business Development

During the Reporting Period, we span our business operation across the larger medical aesthetics market to tap into new segments:

- Injectables segment (composed of dermal fillers and cosmetic neurotoxins) with the initial offering of an innovative skin tissue enhancer (Profhilo) produced by IBSA Derma

- Consumables segment with action facilitator cosmeceuticals

Operations

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

- Alma's new campus project is in execution phase with 30% of plan accomplished. The campus will consolidate five operation sites into one with future expansion capacity of 50%. Facility transition is planned for August 2020

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

Incorporation of Subsidiaries in Australia and South Korea

- On May 17, 2019 and June 25, 2019, respectively, the Company has incorporated a new subsidiary in each of Australia and South Korea, to distribute Alma's product and to develop Alma's share in these markets. As of June 30, 2019, there have been no operations for both subsidiaries yet.

3. Outlook for the second half of 2019

In the second half of 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 targets:

1. Develop our market share in the new subsidiaries' territories (Australia and South Korea)

2. Explore additional opportunities for subsidiaries' worldwide

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. New dermatology product launch

5. Initiate additional clinical studies, including FDA focused trials

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

7. Increase marketing investments, strengthening Alma's brand on the consumer level

8. Leverage channels of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. in the PRC to capture larger market share (for surgical, injectables, beauty and cosmeceuticals segments)

4. Financial review

During the Reporting Period, the unaudited interim results and the summary of financial results are as follows:

A. Revenue

During the Reporting Period, revenue of the Group increased from US$78.2 million to US$85.4 million, representing an increase of 9.3% as compared to the corresponding period in 2018.

Revenue by main product segments

We generate revenue from the following revenue streams: (i) sale of goods; and (ii) services and others. The revenue from sale of goods amounted to US$77.3 million, representing an increase of 7.4% as compared to the corresponding period in 2018, which was mainly contributed by the growing revenue from sales of non-invasive medical aesthetic products. The revenue from service and others amounted to US$8.1 million, representing an increase of 32.2% as compared to the corresponding period in 2018.

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

	Six months ended June 30,				
	2019		2018		YOY %
	(US$ in thousands, except for percentages)				
Sale of Goods:					
Non-invasive medical aesthetics:					
Core product line	60,150	70.4%	57,238	73.2%	5.1%
Beauty product line	4,649	5.4%	5,629	7.2%	(17.4%)
Subtotal	64,799	75.8%	62,867	80.4%	3.1%
Minimally invasive	11,171	13.1%	9,135	11.7%	22.3%
Non-EBD*	1,327	1.6%	–	–	–
Subtotal	77,297	90.5%	72,002	92.1%	7.4%
Services and Others	8,135	9.5%	6,153	7.9%	32.2%
Total	85,432	100.0%	78,155	100.0%	9.3%

We have derived a substantial majority of our revenue from our Core product line, representing 70.4% of our total revenue for the Reporting Period. This includes our flagship non-invasive medical aesthetics treatment systems: Soprano, Harmony and Accent platforms, as well as our Aesthetic Precision product line. Revenue from the sale of our Core product line was US$60.2 million for the six months ended June 30, 2019, which increased by 5.1% in comparison with a revenue of US$57.2 million in the corresponding period in 2018. The increase was mainly attributed to our body Contouring Line of products.

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

Our minimally invasive product line revenue increased by 22.3% and amounted to US$11.2 million compared to US$9.1 million for the corresponding period in 2018. The increase is primarily attributed to the growth in sales volume of our BeautiFill by LipoFlow platform, the first and only energy-based device cleared by the FDA for autologous fat grafting.

Revenue by geographic segments

The following table sets forth our revenue by geographic segments for the six months ended in the years indicated (measured by the location of our direct sales customers and our distributors):

	Six months ended June 30,				
	2019		**2018**		**YOY %**
	(US$ in thousands, except for percentages)				
Europe	25,051	29.3%	22,805	29.2%	9.8%
North America	22,204	26.0%	17,444	22.3%	27.3%
Asia Pacific	21,474	25.1%	25,519	32.6%	(15.9%)
Middle East and Africa	10,494	12.3%	3,694	4.8%	184.1%
Latin America	6,209	7.3%	8,693	11.1%	(28.6%)
Total	85,432	100.0%	78,155	100.0%	9.3%

Our Europe revenue increased by 9.8% to US$25.1 million in the Reporting Period from US$22.8 million for the corresponding period in 2018. The increase is attributed to a high ratio of direct sales.

Our North America revenue increased by 27.3% to US$22.2 million in the Reporting Period from US$17.4 million for the corresponding period in 2018. The increase is attributed to our prominent position for the body contouring market with the successful launch of our fat grafting solution – BeautiFill by LipoFlow, the first and only energy-based device cleared by the FDA for autologous fat grafting.

Our Asia Pacific revenue decreased by 15.9% to US$21.5 million in the Reporting Period from US$25.5 million for the corresponding period in 2018. We have been tracking the Asia Pacific region results, with the global challenging economical atmosphere. Accordingly, we are designing and executing a regional focus strategy, manifested in the expansion of our direct operation, starting with the establishment of two new subsidiaries in South Korea and Australia.

Our Middle East and Africa revenue increased by 184.1% to US$10.5 million in the Reporting Period from US$3.7 million for the corresponding period in 2018. The increase is mainly attributed to the transition from distributors sales model to direct sales, which has been achieved in first half year of 2019 by the acquisition of Nova. See Mergers and Acquisitions section in the "Business review for the first half of 2019" section above.

Our Latin America revenue decreased by 28.6% to US$6.2 million in the Reporting Period from US$8.7 million for the corresponding period in 2018. The decrease is related to the challenging geo-economical atmosphere in Latin America manifested in local currencies exchange rates fluctuations.

B. Gross profit and gross profit margin

During the Reporting Period, gross profit of the Group increased by 17.0% to US$49.0 million from US$41.9 million for the corresponding period in 2018 due to the increase in revenues.

The gross profit margin for the Reporting Period and the corresponding period in 2018 were 57.3% and 53.6%, respectively. The increase relates mainly to higher portion of direct sales 52.5% compared to 36.8% at the corresponding period in 2018.

C. Selling and distribution expenses

During the Reporting Period, selling and distribution expenses of the Group increased by 27.1% to US$20.1 million from US$15.8 million for the corresponding period in 2018, the increase results from the transition to direct sales mainly attributed to the growth in sales in the United State market.

D. Administrative expenses

During the Reporting Period, administrative expenses of the Group increased by 11.5% to US$7.6 million from US$6.8 million for the corresponding period in 2018. The increase is mainly attributed to the consolidation of Nova's expenses and the revaluation of contingent consideration related to Nova's acquisition.

Administrative expenses include amortization of intangible assets arising from the acquisitions of Alma and Nova. During the Reporting Period, the amortization is US$2.6 million, compared to US$2.5 million in the corresponding period in 2018.

E. Research and development expenses

During the Reporting Period, we maintained a consistent level of research and development expenses based on industry benchmark and the corresponding period in 2018 amounting to US$4.9 million.

F. Finance costs

Finance costs comprise mainly interest on bank loans. During the Reporting Period, finance costs also include interest on lease liabilities, which were recognized upon the adoption of IFRS 16 – Lease on January 1, 2019.

G. Income tax expense

Income tax expense decreased by 28.5% to US$1.7 million in the Reporting Period from US$2.4 million for the corresponding period in 2018. This was primarily attributable to Alma which received on December 4,2018 a ruling from the Israeli Income Tax Authority, which grants Alma with a SPTE status, in accordance with the legal criteria and the conditions mentioned in the ruling, effective January 1, 2017.

In addition, The TCJA reduced the U.S. federal corporate income tax rate from 35% to

21% for tax years beginning after December 31, 2018. Due to the new Tax Status, the effective tax rate of the Group was 11.0% for the Reporting Period in comparison to 17.5% for the corresponding period in 2018.

H. Profit for the period

As a result of the foregoing, during the Reporting Period, our profit increased by 23.2% to US$13.9 million from US$11.3 million for the corresponding period in 2018.

The net profit margin of the Group during the Reporting Period and the corresponding period in 2018 were 16.2% and 14.4%, respectively.

I. Adjusted net profit and adjusted net profit margin

The Group calculates adjusted net profit by taking profit for the period and adjusting: (i) amortization of other intangible assets; (ii) Changes in contingent consideration arising from Nova's acquisition; (iii) bonus to managements and employees as a result of the completion of the Listing; and (iv) deferred tax liability arising from other intangible assets, which primarily relates acquisitions.

The Group presents this financial measure because it is used to evaluate financial performance by excluding the impact of items that the Group does not consider indicative of the Group's ordinary operating performance.

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

	Six months ended June 30,		
	2019	**2018**	**YOY %**
	US$'000	*US$'000*	
PROFIT FOR THE PERIOD	13,865	11,254	23.2%
Adjusted for:			
Amortization of other intangible assets arising from acquisitions	2,588	2,519	2.8%
Contingent consideration arising from acquisitions	274	–	100.0%
Bonus to managements and employees relating to IPO	–	1,950	(100.0%)
Deduct: deferred tax arising from other intangible assets	(349)	(412)	(15.3%)
Adjusted net profit	16,378	15,311	7.0%
Adjusted net profit margin	19.2%	19.6%	

5. Debt Structure, Liquidity and Sources of Funds

A. Gearing Ratio

As at June 30, 2019 and December 31, 2018, the Group's cash and cash equivalents exceeded the total debt. As such, no gearing ratio was presented. The gearing ratio is calculated as net debt divided by total equity plus net debt.

B. Interest Coverage

During the Reporting Period, the interest coverage, which is calculated by EBIT (Earnings Before Interest and Taxes) divided by financial costs was 32.3 as compared with 26.9 for the corresponding period in 2018.

C. Available Facilities

As of June 30, 2019, Sisram did not have any unutilized banking facilities. Sisram is financing its operations through cash generated from operating activities.

D. Interest Rate

As at June 30, 2019, total interest-bearing bank and other borrowings at a floating interest rate amounted to US$3.0 million (December 31, 2018: US$2.2 million).

E. Maturity Structure of Outstanding Debts

The following table sets forth the maturity structure of outstanding debts as at June 30, 2019 and December 31, 2018. Lease liabilities were initially recognized upon the adoption of IFRS 16 – Lease on January 1, 2019 and no such liabilities were recorded as of December 31, 2018.

	June 30, 2019 *US$'000*	**December 31, 2018** *US$'000*
Within 1 year	2,482	2,171
1 to 2 years	376	–
2 to 5 years	98	–
Total	2,956	2,171

F. Collateral and Pledged Assets

On April 13, 2014, the Company entered into a loan agreement pursuant to which an unconditional guarantee agreement with the banks was entered into, pursuant to which, the Company granted and pledged to the banks a continuing security interest in all the Company's assets. In addition, the Company granted and pledged to the banks all of the issued and outstanding shares of Alma and a floating charge over all of the present and future assets of the Company as they may be from time to time. The Company also agreed not to sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its assets. The Company has met all the aforementioned financial covenants. The remaining balance of the loan amounted to US$1.5 million as of June 30, 2019, which is fully covered by the Company's cash balance.

The obligations of Nova, Alma's recently acquired subsidiary, pursuant to Nova's bank credit facility, stood at a total amount US$1.1 million as of June 30, 2019.

Nova's credit facility is secured by a pledge to the banks all of the unpaid share capital of Nova and a floating charge over all of the present and future assets of Nova as they may be from time to time.

6. Cash Flow

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

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

	Six months ended June 30,	
	2019	**2018**
	US$'000	*US$'000*
Net cash flows from operating activities	8,570	3,054
Net cash flows from/(used in) investing activities	46,632	(4,400)
Net cash flows used in financing activities	(2,479)	(10,416)
Net increase/(decrease) in cash and cash equivalents	52,723	(11,762)
Cash and cash equivalents at the beginning of the period	33,840	38,081
Effect of foreign exchange rate changes, net	147	1,041
Cash and cash equivalents at the end of the period	86,710	27,360
Cash and cash equivalents	86,710	27,360
Pledged bank balances for long term bank loans	58	55
Term deposits with original maturity of more than three months	16,000	71,016
Cash and bank balance at the end of the period	102,768	98,431

7. Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to US$1.3 million, which mainly consisted of additions to the plant facility and ERP Costs.

As of June 30, 2019, the Group did not have any significant capital commitments.

8. Contingent Liabilities

As of June 30, 2019, the Group did not have any contingent liabilities.

9. Material Acquisition and Disposal

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

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

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

Save for those disclosed in this interim report, there were no other significant investments held as at June 30, 2019. The Group did not have other plans for material investments and capital assets.

11. Risk management

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, the Indian Rupee and the Hong Kong dollar. As at the end of the Reporting Period, the assets and liabilities of these entities were translated into the U.S. dollar at the exchange rates prevailing at the end of the Reporting Period and their statements of profit or loss were translated into the U.S. dollar at the weighted average exchange rates for the period. As such the Group's results of operations are sensitive to changes in foreign currency exchange rates.

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

B. Interest Rate Exposure

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

12. Employees and remuneration policies

The following table sets forth the number of our employees by function as at June 30, 2019:

Function	**Number of Employees**
Operations	169
Research and Development	63
Sales & Marketing	179
General and Administration	38
Total	449

The employees' remuneration includes basic salary and a performance-based salary. The performance-based salary is determined by reference to the performance appraisal of the employees of the Group. Through clearly locating position-oriented performance targets and formulating performance standards, the Company has managed to assess employees' performance in an objective manner and implement the reward and penalty policy relating to the employees' performance.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2019.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period, 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 (the "**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.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim results of the Group for the six months ended June 30, 2019 prepared in accordance with IFRSs.

PUBLICATION OF INTERIM RESULTS AND 2019 INTERIM REPORT

This results announcement is published on the website of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at http://www.hkexnews.hk and on the website of the Company at http://www.sisram-medical.com. The 2019 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company in due course and will be published on the websites of the Company and the Stock Exchange.

APPRECIATION

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

On behalf of the Board
Sisram Medical Ltd
復銳醫療科技有限公司*
Yi LIU
Chairman

Hong Kong, August 20, 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. Kun DAI 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*