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, 2019

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2019 was US$173.5 million, up by 12.7% as compared to the revenue for the previous year.
- Profit for the year ended December 31, 2019 was US$21.9 million, up by 0.5% as compared to that for the previous year.
- Profit attributable to owners of the parent for the year ended December 31, 2019 was US$20.8 million, down by 4.8% as compared to that for the previous year.
- Net cash flows from operating activities for the year ended December 31, 2019 was US$21.0 million, up by 29.6% as compared to that for the previous year.

FINAL DIVIDEND

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

RESULTS HIGHLIGHTS

The board of directors (the "**Board**") of Sisram Medical Ltd (the "**Company**" or "**Sisram**") 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, 2019 (the "**Reporting Period**"), prepared under International Financial Reporting Standards ("**IFRSs**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2019 *US$'000*	2018 *US$'000*
REVENUE	4	173,520	153,919
Cost of sales		(77,646)	(71,622)
Gross profit		95,874	82,297
Other income and gains	4	2,395	2,109
Selling and distribution expenses		(43,496)	(32,662)
Administrative expenses		(15,833)	(14,774)
Research and development expenses		(10,470)	(10,380)
Other expenses		(2,902)	(2,863)
Finance costs	6	(729)	(943)
PROFIT BEFORE TAX	5	24,839	22,784
Income tax expense	7	(2,904)	(953)
PROFIT FOR THE YEAR		21,935	21,831
Profit attributable to:			
Owners of the parent		20,785	21,831
Non-controlling interests		1,150	–
		21,935	21,831
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the year (US cents)	9	4.70	4.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2019 *US$'000*	2018 *US$'000*
NON-CURRENT ASSETS			
Plant and equipment		5,328	2,716
Right-of-use assets		8,921	–
Goodwill		111,183	108,351
Other intangible assets		58,630	59,089
Deferred tax assets		4,791	4,451
Other non-current assets		211	61
Total non-current assets		189,064	174,668
CURRENT ASSETS			
Inventories		33,018	27,520
Trade receivables	10	57,171	36,490
Prepayments, other receivables and other assets		4,195	3,205
Tax recoverable		2,204	3,543
Derivative financial instruments		32	119
Cash and bank balances		107,792	104,530
Total current assets		204,412	175,407
CURRENT LIABILITIES			
Contract liabilities		4,308	2,216
Trade payables	11	11,992	6,947
Other payables and accruals		18,431	12,840
Interest-bearing bank borrowings		2,410	2,171
Lease liabilities		2,921	–
Total current liabilities		40,062	24,174
NET CURRENT ASSETS		164,350	151,233
TOTAL ASSETS LESS CURRENT LIABILITIES		353,414	325,901

	2019	2018
	US$'000	*US$'000*
NON-CURRENT LIABILITIES		
Contract liabilities	684	423
Interest-bearing bank borrowings	402	–
Lease liabilities	6,469	–
Deferred tax liabilities	10,645	10,082
Other long-term liabilities	9,644	1,296
Total non-current liabilities	27,844	11,801
NET ASSETS	325,570	314,100
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,254	1,254
Reserves	324,316	312,846
Total equity	325,570	314,100

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 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" under the section headed "History and Corporate Structure" in the prospectus of the Company dated September 5, 2017 (the "**Prospectus**"). On July 28, 2016, the Company acquired all the remaining shares held by the non-controlling shareholders of Alma. As a result of the transaction, and as of the date of these financial statements, the Company held 100% of Alma's shares.

On September 19, 2017, the shares in the capital of the Company were listed on the main board of the Stock Exchange of Hong Kong Limited (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 of the Company were issued and allotted 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, 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC-4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

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

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

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

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

Impact on transition

Lease liabilities at January 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and included in interest-bearing bank borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before January 1, 2019.

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

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

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

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

Financial impact as at January 1, 2019

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

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

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

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

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on January 1, 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

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

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, minimally invasive treatment systems, non-EBD devices and cosmeceuticals. Therefore, no analysis by operating segment is presented.

Geographical information

(a) *Revenue from external customers*

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

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

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

(b) *Non-current assets*

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

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

Information about a major customer

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

(i) Disaggregated revenue information

For the year ended December 31, 2019

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

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

	2019 *US$'000*	2018 *US$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting periods:		
Sale of industrial products	824	1,455
Services provided	1,392	573
Total revenue from contracts with customers	2,216	2,028

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Services provided

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

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

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

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

Other income and gains

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

5. PROFIT BEFORE TAX

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

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

7. INCOME TAX

The Israeli corporate tax rate applicable to the Company was 23% for the Reporting Period (2018: 23%). Each entity in the Group is taxable based on its standalone results as measured by the local tax system.

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

Nova 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% for the Reporting Period (2018: 23%).

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

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 Organization 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 research and development ("**R&D**") expenditure and R&D employees, as well as having at least 25% of annual income derived from exports. Technological Preferred Enterprise is defined as an enterprise which meets the aforementioned conditions and for which total consolidated revenues of its parent company and all subsidiaries are less than NIS10 billion. In cases where the parent company and all subsidiaries have more than NIS10 billion of consolidated revenues, the tax rate will be 6% in all Israel regions.

A Special Preferred Technological Enterprise ("**SPTE**") – where the parent company's total revenues are more than NIS10 billion in the tax year, its preferred income will be subject to a tax rate of 6%, regardless of the geographical location of the enterprise. On December 4, 2018, the Company received a ruling from the Israeli Income Tax Authority, which grants the Company the SPTE status, in accordance with the criteria in the law mentioned above and the conditions mentioned in the ruling, effective from January 1, 2017.

The following applies to SPTE:

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

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

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

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

Rate Reduction

The TCJA reduces the U.S. federal corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. In addition, the TCJA has made certain changes to the depreciation rules and implemented new limits on the deductibility of certain expenses and deduction.

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

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

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

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

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

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

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

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

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

8. DIVIDEND

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

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 ("**Shares**") of 442,155,600 (for the year ended December 31, 2018: 442,155,600) in issue during the Reporting Period.

The calculation of basic earnings per share is based on:

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

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

No adjustment has been made to the basic earnings per share presented for the years ended December 31, 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during the years.

10. TRADE RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit. The ordinary credit period is up to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to 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 periods, based on the invoice date and net of loss allowance, is as follows:

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

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

	2019	2018
	US$'000	*US$'000*
At beginning of year	1,387	1,059
Impairment losses recognised *(Note 5)*	696	884
Written off	(1,354)	(556)
At the end of year	729	1,387

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

11. TRADE PAYABLES

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

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

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

12. EVENTS AFTER THE REPORTING PERIOD

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

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

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

2. BUSINESS REVIEW OF 2019

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

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

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

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

For the Reporting Period, the Group recorded an adjusted net profit of US$27.0 million representing a decrease of 8.5% when compared with the corresponding period of 2018. The adjusted net profit margin for the Reporting Period was 15.5%. The terms of adjusted net profit and adjusted net profit margin are not financial measures defined under IFRSs. Please see "Financial review – Adjusted net profit and adjusted net profit margin" section below for further details.

The net cash flow from operating activities amounted to US$21.0 million, representing an increase of 29.6% when compared to 2018, The increase is attributed to one-off initial public offering ("**IPO**") bonus expenses that were paid during 2018.

R&D

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

- 25.6% of corporate employees are R&D specialists

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

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

Sales and Marketing

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

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

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

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

Mergers & Acquisition ("M&A")

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

Business Development

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

Operations

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

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

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

3. OUTLOOK FOR 2020

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

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

We plan to focus on the following targets:

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

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

3. Explore untapped direct operation opportunities worldwide;

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

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

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

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

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

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

4. FINANCIAL REVIEW

Overview

The Company is a leading global provider of energy-based medical aesthetic treatment systems, with comprehensive in-house capability to design, develop and produce such systems, which feature its innovative and proprietary technologies. The Company sells its treatment systems in over 90 countries and jurisdictions worldwide to its direct sale customers and its distributors.

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

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

A. Revenue

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

The overall increase was primarily attributable to an increase in the sales volume of main consoles and applicators for the Company's different products. Furthermore, the expansion of the Company's business is a direct result of increased brand recognition, expansion into new geographic territories, as well as increased demand for medical aesthetic treatments globally.

Revenue by main product segments

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

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

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

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

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

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

Revenue by geographic segments

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

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

During 2019, APAC, Europe and North America were the Company's most important geographic segments by revenue contribution, though sales were distributed broadly across many regions globally. The Company has strived to maintain and expand its geographically diverse sales network, which will allow the Company to readily capture strong regional demand, as well as help the Company to balance and minimize risks from regional economics downfalls.

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

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

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

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

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

B. Cost of sales

During the Reporting Period, the cost of sales primarily comprised the costs of production materials, and to a lesser extent, remuneration of production employees, the cost of rendering of services, and overheads and other miscellaneous costs relating to production For the Reporting Period, the cost of sales of the Group increased by 8.4% to US$77.6 million from US$71.6 million in 2018, which is mainly caused by material costs as a result of the increase in sales volume.

C. Gross profit and gross profit margin

During the Reporting Period, gross profit of the Group increased by 16.5% to US$95.9 million from US$82.3 million for in 2018 for the reasons set out in Revenue and Cost of sales above.

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

D. Selling and distribution expenses

The selling and distribution expenses primarily consist of: (i) employees' salaries and related cost; (ii) sales commission to sales employees and independent agents; (iii) marketing expenses such as participation in tradeshows; and (iv) administrative and other sales and marketing expenses.

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

E. Administrative expenses

Administrative expenses primarily consist of: (i) 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 (v) other miscellaneous expenses

During the Reporting Period, administrative expenses of the Group increased by 7.2% to US$15.8 million from US$14.8 million in 2018. The increase is mainly attributed to the consolidation of Nova's expenses and the revaluation of contingent consideration related to the acquisition of Nova.

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

F. R&D expenses

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

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

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

G. Finance costs

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

H. Income tax expense

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

During the Reporting Period, income tax expense increased to US$2.9 million, representing an increase of 204.7% from US$0.9 million in 2018. This was primarily attributable to Alma special taxation terms enjoyed from January 1, 2017 to December 31, 2018, details of which are set out below:

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

2. As a result of the ruling with respect to the SPTE status in December 2018, the Company recorded a tax benefit of US$4.3 million (US$2.0 million with respect to 2018 and US$2.3 million with respect to 2017).

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

I. Profit for the year

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

J. Adjusted net profit and adjusted net profit margin

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

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

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

	2019	**2018**	YOY %
	US$'000	*US$'000*	
PROFIT FOR THE YEAR	21,935	21,831	0.5%
Adjusted for:			
Amortization of other intangible assets arising from acquisitions	5,171	4,827	7.1%
Contingent consideration arising from acquisitions	552	–	100.0%
Bonus to managements and employees relating to IPO	–	3,992	(100.0%)
Due diligence	–	739	(100.0%)
Deduct: deferred tax arising from other intangible assets	(704)	(596)	18.1%
One-off VAT adjustment	–	1,010	(100.0%)
One-off income tax due to encouragement law true up	–	(2,343)	(100.0%)
Adjusted net profit	26,954	29,460	(8.5%)
Adjusted net profit margin	15.5%	19.1%	

5. DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

A. Treasury Policy

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

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

B. Gearing Ratio

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

C. Interest Coverage

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

D. Available Facilities

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

E. Interest Rate

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

F. Maturity Structure of Outstanding Debts

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

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

Note: LIBOR stands for London Interbank Offered Rate.

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

G. Collateral and Pledged Assets

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

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

6. CASH FLOW

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

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

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

Net cash flows from operating activities

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

Net cash flows from investing activities

For the Reporting Period, the net cash flows provided by investing activities were US$53.7 million, which was primarily attributable to: (i) a decrease of US$62.6 million in term deposits with original maturity of more than three months, in relation to a cash deposit that we made into a savings account at a third-party commercial bank, (ii) US$1.9 million interest received from term deposits (iii) offset by US$7.6 million investment in affiliate; and (iv) US$3.2 million in purchase of plant and equipment.

Net cash flows used in financing activities

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

7. CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

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

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

8. CONTINGENT LIABILITIES

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

9. MATERIAL ACQUISITION AND DISPOSAL

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

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

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

Save for those disclosed in this announcement, there were no other significant investments held as at December 31, 2019. The Group did not have other plans for material investments and capital assets.

11. RISK MANAGEMENT

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

A. Foreign Currency Exposure

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

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

B. Interest Rate Exposure

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

12. EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

13. USE OF PROCEEDS FROM THE GLOBAL OFFERING

Total net proceeds from the Global Offering amounted to approximately HK$771.3 million. As at the end of the Reporting Period, approximately HK$273.1 million has been used in accordance with the plan disclosed in the Prospectus of the Company (as adjusted in accordance with the announcement issued by the Company on October 8, 2018).

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 its 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$0.11 (inclusive of tax) per Share for the year ended December 31, 2019 (the "**2019 Final Dividend**"). A separate announcement will be made by the Company in relation to the record date for ascertaining shareholders' entitlement to the 2019 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 2019 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 AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS

The Company will arrange the time of convening the annual general meeting of the Company ("**AGM**") as soon as practicable, and the notice of the AGM will be published and dispatched to the shareholders of the Company in a timely manner in accordance with the requirements of the Listing Rules and articles of association of the Company. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of the Company in a separate announcement and in the notice of the AGM.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the year ended December 31, 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 Stock Exchange ("**Listing Rules**").

For the Reporting Period, the Company has complied with all applicable 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 and other comprehensive income and the related notes thereto for the year ended December 31, 2019 as set out in the preliminary announcement have been compared 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 2019 annual results and the financial statements for the year ended December 31, 2019 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 2019 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, 2020

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*