sisram medical

(Incorporated in Israel with limited liability)

Enhancing Quality of Life

# 2021 Interim Report

Sisram Med
Stock Code: 1696.HK

ENHANCING QUALITY OF LIFE | ENHANCING QUALITY OF LIFE

# Contents

# Leveraging the Momentum

## Following Two Decades of Stunning Achievements

The global economy in the first six months of 2021 witnessed major uncertainties led by the evolving pandemic. Sisram Medical, while facing numerous challenges, was able to flexibly and sensitively leverage its diverse portfolio and multiple sales channels, continuously launching new technologies and products in a dynamic mode to mitigate regional pandemic impact. Sisram, a core platform of Fosun Pharma Med-Tech, has been keen on medical aesthetics for over two decades now, growing from an energy-based devices leader into a wellness eco-system group with global presence.

Sisram is committed to its wellness offering successful commercialization whilst adopting a "Business to Everyone" core strategy, striving to benefit everyone – business partners, customers and consumers alike, constantly innovating, upgrading and expanding product lines and product offerings. Meanwhile, armed with exquisite technology, marketing and support capabilities, Sisram provides doctors and beauty seekers with high-quality product spectrum. Years of efforts in products polishing and adjustments allows Sisram to lay out more strategic tracks such as aesthetic dentistry, injectables and personal care, apart from its original energy-based devices business, so as to build a global wellness eco-system.

Our efforts are currently focused on four core businesses. In terms of energy-based devices, we have achieved excellent results together with Alma, a leading global energy-based devices provider, by jointly designing and manufacturing devices with cutting-edge technology, followed by the mission of meeting popular industry needs and providing professional services. In the first half of 2021, we launched a brand- new and high-tech platform for body contouring, Alma PrimeX. The launch of Alma Duo signs our entry into men's health market, tapping into a new treatment field. In addition, Opus Plasma, is welcomed by the market in North America, leading a new trend of skin rejuvenation and is embraced by professional doctors and patients. Alma Hybrid, an exclusive combination of three core energies, received the U.S. Food and Drug Administration (FDA) clearance and is now commercially available in U.S. after being first launched in European markets last year, further enforcing our leading position in the global industry.

Positioned as a core aesthetic platform of Fosun Pharma, we are actively seeking opportunities for resource integration, in-depth financing, and customer sharing within the Fosun Group. Given that injectables is one of our main businesses, we have entered into a sublicense agreement for a long-lasting botulinum toxin RT002 injectable product along with Fosun Industrial with a goal to further enrich our portfolio. In addition, we completed the acquisition of Foshion Medical system, China's leading dental equipment sales and marketing platform, in order to further expand our dental business and explore the new model of diversified and synergetic development between medical aesthetics and aesthetic dentistry. As for personal care, Sisram continues to develop related products in order to strengthen its connection with end consumers. We constantly explore for multi-win modes, internally and externally to grow our various business units, and are committed to create a wellness eco-system that features joint efforts and benefits to all parties.

During the past six months, we were pleased to see strong business growth in China and North America. With the development of China's medical aesthetics industry and the increase in consumers self-awareness, major growth potential for Chinese medical aesthetics market is already foreseeable. The Group has been gradually upscaling its talents and team building in the Chinese market to practice a localized strategic layout aimed at satisfying consumers' needs in the beauty and wellness arenas. As China's medical aesthetics market continues to expand, the PRC government has continuously introduced policies to support industry standardization and promote industry's high-quality standards. Sisram, with its mature commercialization team and strong brand position in North America, achieves outstanding results in the introduction of new products in the leading market. At present, we are active across over 90 countries and regions. On the basis of globalization, we continue to deepen the direct sales operation, maintain close cooperation with partners and continue leading the market trends as usual.

On a closing note, I would like to take this opportunity to extend my sincere gratitude to the Board of Directors, managements, shareholders, partners, customers, consumers and dedicated employees for your continuous support.

May all your wishes come true!

**Liu Yi**
Chairman


# People.

## Our Story and Journey in a Nutshell

**Our story begun 22 years ago with 4 pioneer laser technology specialists, highly passionate about technology and innovation. This enthusiastic attitude, became part of our DNA, driving our development, growth and global outreach.**

Aligned with the recent global trends, we have shifted our focus and perspective from technology and innovation towards the human aspect which replaces technical specifications with people's needs, usage and practice behavior, experience expectations and desired outcomes.

During the first half of 2021, Sisram, as a wellness eco-system, and Alma, as a medical aesthetics leading player, followed each entity's charted strategy and workplan, and endeavor to develop a comprehensive solution portfolio to satisfy multiple customer and consumer needs worldwide.

As mentioned earlier this year, we expected impressive revenue and profit growth for this reporting period, based on our drive, motivation, resilience and agility traits, that were all put to test during the pandemic.

## Chief Executive Officer's Statement

The wellness industry is blooming, even more so amidst the pandemic, with more and more practitioners considering adding Medical Aesthetics treatments and offerings to their business practice.

From a customer and consumer perspective, the growing demand and awareness pose a challenge in the form of varied training and experience levels of these newcomers.

As a people 1st business group, we wish to place the person at the center of everything we do, catering for the needs and expectations of consumers, customers, partners and employees. We are strong believers in democratization of knowledge – creating, sharing and utilizing our experience, know-how and practice with our partners, customers and consumers.

Our goal is to promote awareness, improve customers' professional and business practice, and become the trusted provider for consumers' wellness services and goods. We encourage medical practitioners to explore, evaluate and develop new treatment solutions with us, providing them with clinical trainings and tools, supporting the growth of this entire industry while ensuring consumers' safety, satisfaction and trust.

We believe that a customer centric approach should be implemented all around, from the market end to the organization end. Adhering to this theme, we recently established our "Customers Business Unit", a corporate division orchestrating all customers' facing activities under one roof, in close communication and collaboration, serving as "voice of the customers" evangelic.

With 2020's challenges and lessons perspective in place, we launched 2021 business operation aiming to improve not only our year over year performance, but rather overachieving our 2019 performance and topping the prior COVID-19 results.

The following key growth drivers for the first half of 2021 are expected to continue our growth momentum throughout the next half of 2021:

1. Strong offices performance and overall geographic performance uptake – all regions grew significantly - year over year and in comparison to H1' 2019, with North America leading in all growth markers, followed by Latin America, EMEA and APAC regions.
2. In the capital equipment business line:
    - R&D investments grew by 62.5% to US$8.1 million, compared to US$5.0 million in the corresponding period.
    - 2 new products were launched:
        i. Alma Duo - an in-office, aesthetic treatment utilizing clinically validated gold standard shock wave technology (LI-ESWT) to stimulate blood flow and restore natural sexual performance;
        ii. Alma PrimeX – a non-invasive body contouring platform, achieving unparalleled results in reducing circumference and skin tightening, using 3 proprietary technologies.


Alma Duo

Alma PrimeX

- Conducted 29 clinical and preclinical studies, 5 of which are intended to support FDA clearances submissions.
- Awarded the "Innovative Treatment of the Year" at the 2020 Global Aesthetic Awards ceremony hosted by MyFaceMyBody for Alma's recently launched ClearSkin PRO, a breakthrough applicator that features twice the power of previous solutions, resulting in visibly younger looking skin. The MyFaceMyBody Award is truly 'the award' to win, providing consumers the confidence and quality assurance they need when looking for safe and effective medical aesthetics treatments.

3. The injectables business line registered 51.7% YoY growth. Our business development activities in this domain are focused on expanding our offering with a sublicence agreement via Fosun Pharma for the commercialization of Revance licensed injectable product in the PRC, Hong Kong SAR and Macau SAR. The licensed product is an investigational product and the first neuromodulator with long-acting duration for aesthetic and clinical indications. This toxin injectable product is to complete the injectables offering, composed today of the unique skin tissue modulator Profhilo, the dermal filler brand line Aliaxin and the near-future Raziel therapeutic injectables for fat tissue transformation.
4. The newly formed dental business unit is in integration phase now, consolidating operations and financials aspects with Sisram's eco-system structure and reporting systems.
5. The newly formed personal care business unit is at the final stages of its first consumer product design towards mass manufacturing and launch.
6. Digital and Information Technology ("IT") - During the Reporting Period, Sisram invested US$1.22 million in IT infrastructure upgrade. This ongoing significant investment is dating back to the beginning of 2019 and is planned to continue throughout the coming years with the goal of materializing Sisram's digital core structure – a comprehensive set of digital solutions and tools that will enable Sisram to execute comprehensive business activities across a synergistic digital backbone. The digital functions will include e-commerce, customers portals, digital marketing, customer services, Business Intelligence, Internet of Things and more.

## Clinical Studies

FDA

5 studies towards FDA clearances

## Award Winner - ClearSkin PRO by Alma


ClearSkin PRO

Innovative Treatment of the Year

## Injectables Business Growth

51.7% YoY

## Coming Soon...

Newly formed business units: Personal Care and Dental

7. On July 29, 2021, Alma, the operating subsidiary of the Company, exercised the call option of share purchase agreement for the remaining 40% equity interest in Nova. Nova is now a wholly owned subsidiary of the Company under the brand "Alma Israel".

## Outlook for the 2nd half of 2021

As anticipated towards the end of 2020, COVID-19 and its variants are here to stay, at least for the foreseen future. The experience we gained during the past year, dealing with uncertainty, constant environmental and economic changes, strengthened our operation, made us more alert and resilient than ever before and pushed us to take our skills and capabilities to the next level. Going forward, we plan to leverage this experience and practice to sustain our development activities throughout challenging times, practicing our agile mode to closely monitor global market dynamics and provide ad-hoc response to any shift or change in these conditions.

The Group's efforts during the 2nd half of 2021 will strategically focus on digitalization, global consumer brand establishment and the acceleration and integration of the new wellness eco-system entities.

Sisram will further expand its presence and business in North America and China and leverage Fosun Pharma's resources to capture a larger market share.

## Appreciation

On behalf of the Board, I would like to thank our employees for their effort and commitment during these challenging times, and to our customers, shareholders and partners for their trust and support.

**Lior M. Dayan**
Chief Executive Officer

| | Six months ended June 30, | | |
|---|---|---|---|
| | **2021** | 2020 | 2019 |
| | **US$'000** | US$'000 | US$'000 |
| **Operating results** | | | |
| Revenue | **125,293** | 71,736 | 85,432 |
| Gross profit | **71,478** | 39,902 | 48,972 |
| Profit before tax | **20,137** | 6,394 | 15,573 |
| Profit for the period | **17,361** | 5,738 | 13,865 |
| Profit for the period attributable to owners of the parent | **16,379** | 5,504 | 13,209 |
| **Profitability** | | | |
| Gross margin | **57.0%** | 55.6% | 57.3% |
| Net profit margin | **13.9%** | 8.0% | 16.2% |

| | **As at June 30, 2021 US$'000** | As at December 31, 2020 US$'000 | As at December 31, 2019 US$'000 |
|---|---|---|---|
| **Assets and liabilities** | | | |
| Total assets | **455,737** | 431,806 | 392,926 |
| Equity attributable to owners of the parent | **344,175** | 331,889 | 325,570 |
| Total liabilities | **111,562** | 99,917 | 67,356 |
| Cash and bank balances | **129,430** | 116,527 | 107,792 |

## 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, is also engaged in the injectables market with a distribution agreement from IBSA Derma ("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 Mainland 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 medical aesthetic 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 laser 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 Food and Drug Administration of the United States ("FDA") cleared indications; (iii) the "Accent" family, primarily used for body contouring and skin tightening, all of which belong to its medical aesthetic 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.

## 2. Business review of first half of 2021

In the first half of 2021, Sisram's established global sales and distribution network recorded a total revenue of US$125.3 million for the Reporting Period, representing an increase of 74.7% when compared to the corresponding period in 2020. The increase is primarily attributable to the Group's resilience and long-term planning throughout 2020, amidst the COVID-19 pandemic. As a veteran group with a robust financial backbone, we tapped into our cash for the ongoing business operation.

This enables us to maintain our human capital almost intact and sustain our operational resilience, while addressing our leading goals.

Profit for the period attributable to owners of the parent was US$16.4 million, which represent 13.1% of revenue for the Reporting Period. Such percentage increased by 5.4% as compared to that for the corresponding period in 2020.

During the Reporting Period, gross profit of the Group amounted to US$71.5 million compared to US$39.9 million for the corresponding period in 2020, representing an increase of 79.1%. The gross profit margin increased to 57.0% for the Reporting Period from 55.6% for the corresponding period in 2020, primarily due to a higher revenue to overhead costs ratio. The establishment of direct operation offices in chosen territories has enabled the Company to shorten the supply chain and gain a higher brand visibility based on its highly valuable products. With this methodology in place, revenue derived from direct sales amounted to 59.7% of total revenue versus 40.3% of the total revenue attributed to sales via distributors.

During the Reporting Period, the Group recorded profit before tax of US$20.1 million and recorded profit for the period of US$17.4 million, representing an increase of 214.9% and 202.6% respectively, when compared to the corresponding period in 2020. The increase in profit before tax and profit for the period was mainly due to an increase in revenue (US$53.6 million) and an increase in gross profit (US$31.6 million).

During the Reporting Period, the Group recorded an adjusted net profit of US$19.6 million representing an increase of 126.2% when compared with the corresponding period of 2020. The adjusted net profit margin for the Reporting Period was 15.6%. The increase in the adjusted net profit is mainly attributable to the increase in gross profit margin and the decrease in operating expenses.

The Company's business fundamentals are healthy. The Company has sufficient funds to meet its future business needs and sustain its operational resilience, while addressing the following leading goals:

1. Support employees and business partners during challenging times.

2. Adjust ongoing operation scope based on markets dynamics while balancing all necessary elements (sales, production, distribution, service, etc.).

3. Continue investments in strategic projects – upgrading IT infrastructures (ERP and CRM), new campus, R&D projects, clinical studies, business development, etc.

4. Protect financial assets and Company's value.

5. Growing our ecosystem of varied business lines and consumer brand, fulfilling the Group's long-term strategy.

**R&D**

- R&D investments increased by 62.5% to US$8.1 million, compared to US$5.0 million in the corresponding period in 2020.

- 14% of corporate employees are R&D specialists.

- During the Reporting Period, the Company launched 2 new products:

    - "Alma Duo" – an in-office, aesthetic treatment that uses gold standard shock wave technology, focused low-intensity extracorporeal shock wave therapy (LI-ESWT), clinically validated to stimulate better blood flow and restore natural sexual performance; and

    - "Alma PrimeX" – a non-invasive body contouring platform, achieving unparalleled results in reducing waist circumference and skin tightening in using 3 proprietary technologies.

- On the clinical research front, the Group has conducted 29 clinical and preclinical studies (including sponsored and investigator sponsored trials) during the Reporting Period, in the aesthetics, dermatology, plastic surgery, and gynaecology fields.

- Five clinical & pre-clinical studies are intended to support FDA clearances submissions for additional clinical indications and treatment platforms.

## Sales and Marketing

As a multi-national operation, Sisram is required to adjust its sales and operating method according to each country/state limitations (such as USA, DACH and India, etc). This practice of global outlook with local focus that we call glocalization methodology has been fully exploited during the Reporting Period to (1) monitor the pandemic situation in each country, (2) plan the recovery plan, and (3) coordinate across all subsidiaries and execute the plan.

Adjusting to the new market dynamics, we have performed the following activities:

- Upgrade to webinars activities as a substitute to cancelled face-to-face conferences, trainings and sales meetings. The Group has successfully conducted its second global online product launch, and unveiling Alma PrimeX platform. The launch was broadcasted from the Company's headquarter to five continents across multiple communication channels including YouTube.

- Launch multiple online campaigns to generate B2B and B2C leads across different territories.

- Increase content creation and social media presence to keep B2B and B2C dialogue going. Develop new social media channels to promote our brand globally, including a new TikTok account driving consumer awareness to Alma's brand.

- Conduct weekly video meetings with all distributors to ensure that we support our customers with solid answers, fast service, and positive reactions.

## Mergers & Acquisition ("M&A")

### *Foshion Acquisition*

On April 22, 2021, Sisram Tianjin, Fosun Pharma and Tianjin Qianda entered into the sale and purchase agreement to acquire the entire issued share capital of Foshion in consideration of RMB312.4 million (the "Foshion Acquisition"). Foshion is primarily engaged in the import and distribution of overseas dental equipment in the PRC.

On June 30, 2021, the independent shareholders of the Company approved the Foshion Acquisition, and the completion of the Foshion Acquisition took place on July 13, 2021. Please refer to the circular of the Company dated May 25, 2021 and the announcement dated July 13, 2021 for further information.

### *Nova Call Option Exercise*

On July 29, 2021, Alma, the operating subsidiary of the Company, exercised the call option, pursuant to the share purchase agreement between Alma, Mr Ofer Gerassi, Mrs. Sabina Biran, Mr. Jacob Sayef Aaron and Nova dated November 16, 2018 to purchase the remaining 40% equity interest from Mr. Gerassi in Nova. Upon completion, Nova will become a wholly-owned subsidiary of the Company. Please refer to the announcement of the Company dated July 29, 2021 for further information.

### Business Development

#### *Sub-license Agreement*

On July 14, 2021, Sisram Tianjin entered into the sublicence agreement with Fosun Pharma Industrial, a subsidiary of Fosun Pharma pursuant to which Sisram Tianjin agreed to sublicense from Fosun Pharma Industrial the relevant know-hows and patents of Licensed Product, so as to, among other things, import, use, sell or commercialize the Licensed Product in the PRC, Hong Kong SAR and Macau Special Administrative Region. The Licensed Product is an investigational product and the first neuromodulator with long-acting duration. It is a novel, next-generation neuromodulator in development for the treatment of aesthetic indications and a number of potential therapeutic conditions. Please refer to the announcement of the Company dated July 14, 2021 for further information.

#### *Asia-Pacific (“APAC”) Focus*

- 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.

Revenue derived from the APAC region increased by 54.9% in comparison to the corresponding period in 2020, accounting for 26.9% of the Group’s total revenue. Foreseeing big growth potential of the Chinese Medical Aesthetics market, the Company has a dedicated team to identify the sales approach accurately and meet the needs of end customers.

## Operations

On the operations front, we have focused on the following:

- Addressing the pandemic effect
    - Enhance inbound materials visibility in response to decline in suppliers “on time delivery” performances.
    - Evaluate and exercise alternative outbound logistics options to deal with reduced airlines availability.
    - Provide required IT tools to allow employees to work from home when applicable.
- Continuous quality improvement across the global supply chain.
- Competitive procurement project, including advanced supply control structural methods, has been designed and is in implementation process.
- Alma’s new campus project has been completed and transition was done during August 2020. The campus functional design is based on ‘LEAN’ manufacturing methodology to ensure smooth and efficient material flow for the production floor.
- Digital and Information Technology (“IT”):
    - During the Reporting Period, Sisram invested US$1.22 million in IT infrastructure upgrade. This ongoing significant investment is dating back to the beginning of 2019 and is planned to continue throughout 2022.
    - During the Reporting Period, Sisram continued the implementation of ERP system and rollouts across its subsidiaries.

## 3. Outlook for second half of 2021

In the second half of 2021, Sisram intends to follow its constructive revolutionary strategy by evaluating and implementing near-future technologies, ventures, and synergies so as to bolster its global position. The Group's efforts throughout 2021 will strategically focus on lean innovation, digitalization, brand and eco-system building.

The Group plans to expand its digital transformation strategy with the following major objectives:

- Adopt a customers' centric operation mindset where activities are based on customer data, to facilitate informed decisions making corporate process.

- Digitize existing procedures, create new ones and centralize data.

    - Design Sisram's digital core structure – a comprehensive set of digital solutions and tools that will enable Sisram to perform comprehensive business activity on its digital system. The digital functions will include e-commerce, customers portals, digital marketing, academic research, customer services, Business Intelligence, IoT and more.

    - Design a growing, cumulative, shared customers and consumers database.

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

Strategic branding & positioning:

- Following a strategic brand positioning, the Group is now entering the implementation phase to combine the existing global brand influence with Sisram's new brand and global positioning to make Sisram an unique corporate in the wellness industry.

- For Alma's global positioning, we are exploring a worldwide renown presenter to become our brand spokesperson.

In addition, we plan to:

3.1. Complete the reconstruction of Sisram's organization structure and operation according to the charted vision of becoming the leading medical aesthetics care organization, providing premium care to our customers, using professional, on-time, quality services to maximize customers' value and loyalty and enhance the Group's business growth.

3.2. Focus R&D operation on next generation platforms in the areas of pre-juvenation, regenerative medicine and combined technologies.

3.3. Continue ongoing clinical studies, in addition to new studies aimed to support regulatory requirements (i.e., FDA study for additional clinical indications).

3.4. Continue to expand our IoT service module with Cloud base application for smart clinic management in cooperation with high-end IoT operators in China and North America.

3.5. Continue the investment in IBSA Derma products registration in China and expand the Israel, Hong Kong SAR and India injectables business by introducing additional products in this category.

3.6. Further develop our market share in direct operation territories.

3.7. Explore unexploited direct operation opportunities worldwide.

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

3.9. Leverage Fosun Pharma's resources in China to capture a larger market share (for surgical, injectables and cosmeceuticals segments).

3.10. 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.

3.11. Expand the Group's presence and business in China via the new official Sisram's China office. The China office will handle various business activities addressing the evolving ecosystem and potential synergies between Sisram and its majority Shareholder, Fosun Pharma. Amongst the first activities the new office oversees are: aesthetic dentistry, registration of dermal facial fillers, expansion of the injectables category offering, marketing development of personal care product and the establishment of a regional service center and regional warehouse.

## 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$71.7 million to US$125.3 million, representing an increase of 74.7% when compared to the corresponding period in 2020. The overall increase was primarily attributable to a significant increase in the sales volume of main consoles and applicators for the Company's different products, following the global economy recovery post initial COVID-19 impact. As of the date of this report, the clinical operation of medical aesthetics practices across the world has recovered almost close to its normal level prior to the outbreak of COVID-19.

#### *Revenue by main product segments*

The Group generates revenue from the following revenue streams: (i) sale of goods; and (ii) services and others. The revenue from sale of goods amounted to US$118.1 million, representing an increase of 75.5% as compared to the corresponding period in 2020. The revenue from service and others amounted to US$7.2 million, representing an increase of 62.7% as compared to the corresponding period in 2020.

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

| | Six months ended June 30 | | | | |
|---|---|---|---|---|---|
| | **2021** | | 2020 | | YOY % |
| | (US$ in thousands, except for percentages) | | | | |
| Sale of Goods: | | | | | |
| Medical Aesthetics | **98,040** | **78.2%** | 55,985 | 78.0% | 75.1% |
| Minimally invasive | **17,137** | **13.7%** | 9,405 | 13.1% | 82.2% |
| Injectables | **2,873** | **2.3%** | 1,894 | 2.6% | 51.7% |
| Subtotal | **118,050** | **94.2%** | 67,284 | 93.7% | 75.5% |
| Services and Others | **7,243** | **5.8%** | 4,452 | 6.3% | 62.7% |
| Total | **125,293** | **100.0%** | **71,736** | **100.0%** | **74.7%** |

We have derived a substantial majority of our revenue from our medical aesthetics product line, representing 78.2% of our total revenue for the Reporting Period. Revenue from the sale of our Medical Aesthetics line was US$98.0 million for the six months ended June 30, 2021, representing an increase of 75.1% in comparison with a revenue of US$56.0 million in the corresponding period in 2020. The majority of revenue derived from our leading platforms such as "Soprano", "Harmony", "Opus" and "Accent".

Revenue from our Minimally invasive product line increased by 82.2% and amounted to US$17.1 million compared to US$9.4 million for the corresponding period in 2020. The increased is mainly attributed to the launch of Alma Duo in North America, accounting for US$5.3 million for the Reporting Period. Alma Duo is an in-office, aesthetic treatment that uses gold standard shock wave technology, focused low-intensity extracorporeal shock wave therapy (LI-ESWT), clinically validated to stimulate better blood flow and restore natural sexual ability.

### *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 | | | | |
|---|---|---|---|---|---|
| | **2021** | | 2020 | | YOY % |
| | (US$ in thousands, except for percentages) | | | | |
| Europe | **23,698** | **18.9%** | 16,367 | 22.8% | 44.8% |
| North America | **49,147** | **39.2%** | 22,848 | 31.9% | 115.1% |
| APAC | **33,744** | **26.9%** | 21,779 | 30.4% | 54.9% |
| Middle East and Africa | **12,636** | **10.2%** | 7,581 | 10.5% | 66.7% |
| Latin America | **6,068** | **4.8%** | 3,161 | 4.4% | 92.0% |
| Total | **125,293** | **100.0%** | **71,736** | **100.0%** | **74.7%** |

During the Reporting Period, North America, APAC, and Europe 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 minimise risks from regional economics downfalls.

The revenue derived from North America accounted for US$49.1 million during the Reporting Period, an increase of 115.1% from US$22.8 million for the corresponding period in 2020. The increase is attributed to the strong position of Alma's brand in North America, following the continuous growing investments in sales and marketing operation including the recruitment of sales professionals to enhance the sales team capacity. Our strong marketing, branding and sales promotions for the Alma Duo and Alma Opus platforms resulted in a highly successful launch and commercialization of these platforms.

The revenue derived from APAC increased by 54.9% to US$33.7 million in the Reporting Period from US$21.8 million for the corresponding period in 2020. The increase is mainly attributed to our strong performance in China, Japan and our Australian direct operation. The APAC revenue growth is mainly attributed to such region's recovery from COVID-19, leading to an increase in demand, mainly for Alma's Thermolift, Harmony and LipoLife treatments.

The revenue derived from Europe increased by 44.8% to US$23.7 million in the Reporting Period from US$16.4 million for the corresponding period in 2020. The increase is mainly attributed to the continued momentum of our strong hair removal brand "Soprano", as well as strong distribution channel in Italy and Spain, despite the challenging pandemic situation.

The revenue derived from Middle East and Africa increased by 66.7% to US$12.6 million in the Reporting Period from US$7.6 million for the corresponding period in 2020. The increase is mainly attributed to the recent increasing efforts in Israeli direct operation.

The revenue derived from Latin America increased by 92.0% to US$6.1 million in the Reporting Period from US$3.2 million for the corresponding period in 2020. The increase is due to our strong distribution channel in Argentina, Brazil, Chile and Mexico.

During the Reporting Period, the cost of sales primarily comprised of the costs of production materials, and to a lesser extent, remuneration of production employees, the cost of rendering of services, overheads and other miscellaneous costs relating to production. For the Reporting Period, the cost of sales of the Group increased by 69.0% to US$53.8 million from US$31.8 million for the corresponding period in 2020, which is mainly due to increase in sales volume.

## B. Gross profit and gross profit margin

During the Reporting Period, gross profit of the Group increased by 79.1% to US$71.5 million from US$39.9 million for the corresponding period in 2020 for the reasons set out in Revenue and Cost of sales above.

The gross profit margin increased to 57% for the Reporting Period from 55.6% for the corresponding period in 2020. The increase is primarily attributed to a higher revenue to overhead costs ratio.

## C. 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 digital activities.

During the Reporting Period, selling and distribution expenses of the Group increased by 51.4% to US$30 million from US$19.8 million for the corresponding period in 2020. The increase is resulted from new sales positions worldwide compared to the corresponding period in 2020, higher commission expenses following the increase in sales volume, mainly in the North America operation, and increase in marketing expenses.

## D. 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 14.7% to US$9.3 million from US$8.1 million for the corresponding period in 2020. The increase is mainly attributed to IT manpower investments for the new ERP, service, HR and corporate systems implementation and support.

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$2.5 million, a decrease from US$3.1 million in the corresponding period in 2020.

### E. R&D expenses

The Group's R&D 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 expenses increased by 62.5% to US$8.1 million from US$5.0 million for the corresponding period in 2020.

### F. Finance costs

Finance costs are comprised mainly of (i) interest on bank loans and (ii) interest on lease liabilities. Finance costs increased to US$0.9 million in the Reporting Period from US$0.3 million for the corresponding period in 2020, since lower interests are recorded on debts during the Reporting Period due to the repayment of bank loans.

### G. Income tax expense

The Israeli corporate tax rates are both 23% in 2020 and 2021. 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$2.8 million, representing an increase of 322.9% from US$0.7 million for the corresponding period in 2020. This was primarily attributable to the higher income before tax. In addition, Alma enjoyed special taxation terms from January 1, 2017.

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.

### H. Profit for the period

As a result of the foregoing, during the Reporting Period, our profit for the period increased by 202.6% to US$17.4 million from US$5.7 million for the corresponding period in 2020. The net profit margin of the Group for the six months ended June 30, 2021 and 2020 were 13.9% and 8.0%, 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 the acquisition of Nova; and (iii) deferred tax liability arising from other intangible assets, which primarily relates acquisitions. 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 period:

| | Six months ended June 30 | | |
|---|---|---|---|
| | **2021** **US$'000** | 2020 US$'000 | YOY% |
| **PROFIT FOR THE PERIOD** | **17,361** | 5,738 | 202.6% |
| Adjusted for: | | | |
| Amortization of other intangible assets arising from the Alma acquisitions | **2,305** | 2,305 | –% |
| Amortization of other intangible assets arising from the Nova acquisitions | **239** | 812 | (70.6)% |
| Contingent consideration arising from acquisitions | **(9)** | 262 | (103.4)% |
| Deduct: deferred tax arising from other intangible assets | **(339)** | (471) | (28)% |
| **Adjusted net profit** | **19,557** | 8,646 | 126.2% |
| **Adjusted net profit margin** | **15.6%** | 12.1% | |

## 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 June 30, 2021 and June 30, 2020, 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 22.9 times as compared with 19.4 times for the corresponding period in 2020. The interest coverage increased mainly because the Group's EBIT during the Reporting Period increased by 212% to US$21.1 million from US$6.7 million for the corresponding period in 2020, and finance cost increased by 165.1% to US$0.9 million from US$0.3 million for the corresponding period in 2020.

### D. Available facilities

As at June 30, 2021, 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 June 30, 2021, total interest-bearing bank and other borrowings at a fixed interest rate amounted to US$0.4 million (As at December 31, 2020: US$1.7 million).

## F. Maturity structure of outstanding debts

The following table sets forth the maturity structure of outstanding debts as at June 30, 2021 and December 31, 2020.

| | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Effective interest rate (%) | Maturity | US$'000 | Effective interest rate (%) | Maturity | US$'000 |
| **Current** | | | | | | |
| Short-Term Bank Credit | 3.56 | 2021 | 264 | 3.25-3.65 | 2021 | 1,134 |
| Current portion of long-term bank loans, secured | 3.56 | 2021 | 84 | 3.1-3.8 | 2021 | 384 |
| | | | 348 | | | 1,518 |
| **Non-current** | | | | | | |
| Bank loan, secured | 3.56 | 2022 | 58 | 3.1-3.8 | 2022 | 180 |
| | | | 406 | | | 1,698 |

| | June 30, 2021 US$'000 | December 31, 2020 US$'000 |
|---|---|---|
| Within 1 year | 348 | 1,518 |
| 1 to 2 years | 58 | 180 |
| Total | 406 | 1,698 |

## G. Collateral and pledged assets

Nova, Alma's subsidiary, entered into a loan agreement, 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 Nova as they may be from time to time. The remaining balance of such loan amounted to US$0.3 million as at June 30, 2021.

## 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 the Reporting Period and the corresponding period of 2020.

| | Six months ended June 30 | | |
|---|---|---|---|
| | **2021** | 2020 | YOY% |
| | **US$'000** | US$'000 | |
| Net cash flows from/(used in) operating activities | **20,834** | (110) | 19,040.0% |
| Net cash flows (used in)/from investing activities | **(9,752)** | 2,360 | (513.2)% |
| Net cash flows used in financing activities | **(3,464)** | (3,150) | 10.0% |
| Net increase/(decrease) in cash and cash equivalents | **7,618** | (900) | 946.4% |
| Cash and cash equivalents at the beginning of the period | **83,373** | 99,735 | (16.4)% |
| Effect of foreign exchange rate changes, net | **(1,710)** | 152 | (1,225.0)% |
| Cash and cash equivalents at the end of the period | **89,281** | 98,987 | (9.8)% |
| Cash and cash equivalents | | | |
| Pledged bank balances for long term bank loans | **149** | 84 | 77.4% |
| Term deposits with original maturity of more than three months | **40,000** | – | –% |
| Cash and bank balance at the end of the period | **129,430** | 99,071 | 30.6% |

### Net cash flows from operating activities

During the Reporting Period, the net cash flows provided by operating activities were US$20.8 million, which was primarily attributable to: (i) the profit before tax of US$20.1 million; (ii) total adjustments for profit or loss items of US$10.4 million; (iii) working capital adjustments of US$7.6 million; and (iv) income tax paid, net of US$2.1 million.

### Net cash flows used in investing activities

During the Reporting Period, the net cash flows used in investing activities were US$9.8 million, which was primarily attributable to: (i) short term bank deposits with the amount of US$7.0 million, (ii) US$0.2 million interest received from term deposits, (iii) US$2.0 million in purchase of plant and equipment and (iv) investment in an associate in the amount of US$1.0 million.

### Net cash flows used in financing activities

During the Reporting Period, the net cash flows used in financing activities was US$3.5 million, which was primarily attributable to: (i) repayments on loan and interest of US$1.4 million; and (ii) payment of lease payments of US$2.1 million.

## 7. CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

During the Reporting Period, capital expenditures of the Group amounted to US$2.1 million, which mainly consisted of additions to the plant facility and ERP Costs.

As at June 30, 2021, the Group did not have any significant capital commitments.

On December 22, 2020, Sisram Tianjin, a subsidiary of the Company, entered into the series A investment agreement as an original shareholder and a series A investor with, among others, Fosun Health Fund (Suzhou) and Fosun Health Fund (Tianjin) (the general partners of which are subsidiaries of Fosun Pharma and Tianjin JuveStar Bio-technology Company Ltd ("Tianjin Juvestar") in relation to an aggregate capital injection of US$16,705,000 (equivalent to RMB109,000,000) into Tianjin Juvestar, to which, Sisram Tianjin agreed to contribute US$1,533,000 (equivalent to RMB10,000,000). During the Reporting Period, the Group contributed US$950,000 to Tianjin Juvestar. The remaining amount will be paid once the related payment conditions are satisfied.

## 8. CONTINGENT LIABILITIES

As at June 30, 2021, the Group did not have any contingent liabilities.

## 9. MATERIAL ACQUISITION AND DISPOSAL

Save as the Foshion Acquisition disclosed in "*Management Discussion & Analysis"* above, during the Reporting Period, the Group did not conduct material acquisition or disposal.

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

Save for those disclosed in this report, there were no other significant investments held as at June 30, 2021. The Group did not have other plans for material investments and capital assets.

## 11. RISK MANAGEMENT

The operation and development of the Group are not exposed to any material risk factors, but they 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 employees by function as at June 30, 2021:

| Function | Number of Employees |
|---|---|
| Operations | 191 |
| R&D | 73 |
| Sales & Marketing | 204 |
| General and Administration | 70 |
| Total | 538 |

Employees' headcount as at the end of Reporting Period increased by 10.9% due to 53 new positions, as compared to the December 31, 2020.

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 HK$771.3 million. As at the end of the Reporting Period, approximately HK$359.60 million has been used in accordance with the plan disclosed in the Prospectus of the Company (as adjusted in accordance with the announcements issued by the Company on October 8, 2018 and April 22, 2021). As of the date of this report, all such HK$359.60 million of net proceeds have been used for the Foshion Acquisition, which was completed on July 13, 2021.

## Interim Condensed Consolidated Statement of Profit or Loss

| | Notes | Six months ended June 30, 2021 US$'000 (Unaudited) | 2020 US$'000 (Unaudited) |
|---|---|---|---|
| **REVENUE** | 4 | **125,293** | 71,736 |
| Cost of sales | | **(53,815)** | (31,834) |
| Gross profit | | **71,478** | 39,902 |
| Other income and gains | | **316** | 988 |
| Selling and distribution expenses | | **(30,032)** | (19,834) |
| Administrative expenses | | **(9,280)** | (8,088) |
| Research and development expenses | | **(8,050)** | (4,955) |
| Other expenses | | **(3,104)** | (1,271) |
| Finance costs | | **(921)** | (348) |
| Share of profits and losses of associates | | **(270)** | – |
| **PROFIT BEFORE TAX** | 5 | **20,137** | 6,394 |
| Income tax expense | 6 | **(2,776)** | (656) |
| **PROFIT FOR THE PERIOD** | | **17,361** | 5,738 |
| Attributable to: | | | |
| Owners of the parent | | **16,379** | 5,504 |
| Non-controlling interests | | **982** | 234 |
| | | **17,361** | 5,738 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | 8 | | |
| Basic and diluted | | | |
| For profit for the period (US cents) | | **3.70** | 1.24 |

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(Unaudited)** | (Unaudited) |
| **PROFIT FOR THE PERIOD** | **17,361** | 5,738 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | |
| Cash flow hedges: | | |
| Effective portion of changes in fair value of hedging instruments arising during the period | **(96)** | 160 |
| Reclassification adjustments for loss included in the consolidated statement of profit or loss | **(7)** | – |
| | **(103)** | 160 |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | **(1,211)** | (306) |
| Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods | **(1,314)** | (146) |
| Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods: | | |
| Actuarial reserve relating to a defined benefit plan | **–** | (50) |
| Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods | **–** | (50) |
| **OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX** | **(1,314)** | (196) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **16,047** | 5,542 |
| Attributable to: | | |
| Owners of the parent | **15,065** | 5,308 |
| Non-controlling interests | **982** | 234 |
| | **16,047** | 5,542 |

## Interim Condensed Consolidated Statement of Financial Position

| | Notes | June 30, 2021 US$'000 (Unaudited) | December 31, 2020 US$'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 9 | **13,764** | 12,813 |
| Right-of-use assets | | **32,263** | 33,348 |
| Goodwill | | **111,183** | 111,183 |
| Other intangible assets | | **49,487** | 53,281 |
| Investments in associates | | **853** | 173 |
| Deferred tax assets | | **5,809** | 5,047 |
| Trade receivables | 10 | **10,899** | 10,616 |
| Other non-current assets | | **224** | 195 |
| Total non-current assets | | **224,482** | 226,656 |
| **CURRENT ASSETS** | | | |
| Inventories | | **40,424** | 37,191 |
| Trade receivables | 10 | **56,168** | 46,501 |
| Prepayments, other receivables and other assets | | **4,861** | 3,955 |
| Tax recoverable | | **–** | 976 |
| Derivative financial instruments | | **372** | – |
| Cash and bank balances | | **129,430** | 116,527 |
| Total current assets | | **231,255** | 205,150 |
| **CURRENT LIABILITIES** | | | |
| Contract liabilities | | **11,969** | 8,178 |
| Trade payables | 11 | **13,371** | 9,444 |
| Other payables and accruals | | **38,008** | 32,357 |
| Derivative financial instruments | | **–** | 479 |
| Interest-bearing bank and other borrowings | | **348** | 1,518 |
| Lease liabilities | | **3,243** | 2,817 |
| Tax payable | | **1,406** | – |
| Total current liabilities | | **68,345** | 54,793 |
| **NET CURRENT ASSETS** | | **162,910** | 150,357 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **387,392** | 377,013 |

| | Notes | June 30, 2021 US$'000 (Unaudited) | December 31, 2020 US$'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Contract liabilities | | **398** | 218 |
| Interest-bearing bank and other borrowings | | **58** | 180 |
| Lease liabilities | | **30,873** | 32,548 |
| Deferred tax liabilities | | **9,659** | 9,910 |
| Other long-term liabilities | | **2,229** | 2,268 |
| Total non-current liabilities | | **43,217** | 45,124 |
| **NET ASSETS** | | **344,175** | 331,889 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | | **1,254** | 1,254 |
| Reserves | | **342,921** | 330,635 |
| Total equity | | **344,175** | 331,889 |

# Interim Condensed Consolidated Statement of Changes in Equity

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital US$'000 (Unaudited) | Share premium* US$'000 (Unaudited) | Other reserve* US$'000 (Unaudited) | Cashflow hedge reserves* US$'000 (Unaudited) | Exchange fluctuation reserve* US$'000 (Unaudited) | Retained earnings* US$'000 (Unaudited) | Total US$'000 (Unaudited) | Non-controlling interests US$'000 (Unaudited) | Total equity US$'000 (Unaudited) |
| At January 1, 2021 (audited) | 1,254 | 240,766 | 11,633 | 113 | 1,303 | 76,820 | 331,889 | – | 331,889 |
| Profit for the period | – | – | – | – | – | 16,379 | 16,379 | 982 | 17,361 |
| Other comprehensive income for the period: | | | | | | | | | |
| Effective portion of changes in fair value of hedging instruments arising during the period, net of tax | – | – | – | (96) | – | – | (96) | – | (96) |
| Reclassification adjustments for gains included in the consolidated statement of profit or loss | – | – | – | (7) | – | – | (7) | – | (7) |
| Exchange differences on translation of foreign operations | – | – | – | – | (1,211) | – | (1,211) | – | (1,211) |
| Total comprehensive income for the period | – | – | – | (103) | (1,211) | 16,379 | 15,065 | 982 | 16,047 |
| Final 2020 dividend declared | – | – | – | – | – | (4,003) | (4,003) | – | (4,003) |
| Reclassification of non-controlling interests of a subsidiary embedded with put options | – | – | 1,224 | – | – | – | 1,224 | (982) | 242 |
| At June 30, 2021 (unaudited) | 1,254 | 240,766 | 12,857 | 10 | 92 | 89,196 | 344,175 | – | 344,175 |

* These reserve accounts comprise the consolidated other reserves of US$342,921,000 in the consolidated statement of financial position.

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital US$'000 (Unaudited) | Share premium* US$'000 (Unaudited) | Other reserve* US$'000 (Unaudited) | Cashflow hedge reserves* US$'000 (Unaudited) | Exchange fluctuation reserve* US$'000 (Unaudited) | Retained earnings* US$'000 (Unaudited) | Total US$'000 (Unaudited) | Non-controlling interests US$'000 (Unaudited) | Total equity US$'000 (Unaudited) |
| At January 1, 2020 (audited) | 1,254 | 240,766 | 14,389 | – | (515) | 69,676 | 325,570 | – | 325,570 |
| Profit for the period | – | – | – | – | – | 5,504 | 5,504 | 234 | 5,738 |
| Other comprehensive income for the period: | | | | | | | | | |
| Effective portion of changes in fair value of hedging instruments arising during the period, net of tax | – | – | – | 160 | – | – | 160 | – | 160 |
| Exchange differences on translation of foreign operations | – | – | – | – | (306) | – | (306) | – | (306) |
| Actuarial reserve relating to a defined benefit plan, net of tax | – | – | – | – | – | (50) | (50) | – | (50) |
| Total comprehensive income for the period | – | – | – | 160 | (306) | 5,454 | 5,308 | 234 | 5,542 |
| Final 2019 dividend declared | – | – | – | – | – | (6,264) | (6,264) | – | (6,264) |
| Reclassification of non-controlling interests of a subsidiary embedded with put options | – | – | 620 | – | – | – | 620 | (234) | 386 |
| At June 30, 2020 (unaudited) | 1,254 | 240,766 | 15,009 | 160 | (821) | 68,866 | 325,234 | – | 325,234 |

* These reserve accounts comprise the consolidated other reserves of US$323,980,000 in the consolidated statement of financial position.

## Interim Condensed Consolidated Statement of Cash Flows

**For the six months ended June 30, 2021**

| | 2021 US$'000 (Unaudited) | 2020 US$'000 (Unaudited) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash generated/(paid in) from operations | **22,977** | (2,091) |
| Income tax (paid)/received | **(2,143)** | 1,981 |
| Net cash flows from/(used in) operating activities | **20,834** | (110) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | **222** | 528 |
| Purchases of items of property, plant and equipment | **(2,024)** | (6,168) |
| Investment in an associate | **(950)** | – |
| (Increase)/decrease in term deposits with original maturity of more than three months | **(7,000)** | 8,000 |
| Net cash flows (used in)/from investing activities | **(9,752)** | 2,360 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of bank loans | **(1,243)** | (1,710) |
| Interest paid | **(175)** | (133) |
| Lease payments | **(2,130)** | (1,675) |
| Proceeds from settlement of foreign currency forward contracts | **84** | 368 |
| Net cash flows used in financing activities | **(3,464)** | (3,150) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **7,618** | (900) |
| Cash and cash equivalents at beginning of period | **83,373** | 99,735 |
| Effect of foreign exchange rate changes, net | **(1,710)** | 152 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **89,281** | 98,987 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | |
| Cash and cash equivalents as stated in the consolidated statements of cash flows | **89,281** | 98,987 |
| Pledged bank balances | **149** | 84 |
| Term deposits with original maturity of more than three months | **40,000** | – |
| Cash and bank balances as stated in the consolidated statements of financial position | **129,430** | 99,071 |

## 1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended June 30, 2021 (the "Reporting Period") has been prepared in accordance with IAS 34 *Interim Financial Reporting*. 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 as at December 31, 2020.

## 2. CHANGES IN ACCOUNTING POLICIES

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, 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

| | |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform – Phase 2* |
| Amendments to IFRS 16 | *Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted) |

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirement of IFRS 9 and IAS 39 to measure and recognize hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after January 1, 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group did not have certain interest-bearing bank borrowings based on the Interbank Offered Rates as at June 30, 2021. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after April 1, 2021 with any cumulative effect of initially applying the amendment recognized as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The amendments did not have any significant impact on the financial position and performance of the Group for the period ended June 30, 2021.

## 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, non-EBD devices and cosmeceuticals. Therefore, no analysis by operating segment is presented.

## 4. REVENUE

An analysis of revenue is as follows:

| | For the six months ended June 30 | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Revenue from contracts with customers** | | |
| Sale of goods | **118,050** | 67,284 |
| Services provided | **7,243** | 4,452 |
| | **125,293** | 71,736 |

## 4. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers

Segments

| | For the six months ended June 30 | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Types of goods or services** | | |
| Sale of goods | **118,050** | 67,284 |
| Services provided | **7,243** | 4,452 |
| Total revenue from contracts with customers | **125,293** | 71,736 |
| **Geographical markets** | | |
| Europe | **23,698** | 16,367 |
| North America | **49,147** | 22,848 |
| Asia Pacific | **33,744** | 21,779 |
| Latin America | **6,068** | 3,161 |
| Middle East and Africa | **12,636** | 7,581 |
| Total revenue from contracts with customers | **125,293** | 71,736 |

| | For the six months ended June 30 | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **118,050** | 67,284 |
| Services transferred over time | **7,243** | 4,452 |
| Total revenue from contracts with customers | **125,293** | 71,736 |

## 5. PROFIT BEFORE TAX

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

| | For the six months ended June 30 | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **35,727** | 20,508 |
| Cost of services and others | **18,088** | 11,326 |
| | **53,815** | 31,834 |
| Research and development costs: | | |
| Current year expenditure | **8,050** | 4,955 |
| Depreciation of property, plant and equipment | **1,119** | 960 |
| Depreciation of right-of-use assets | **1,708** | 1,490 |
| Amortization of other intangible assets | **3,795** | 2,675 |
| Provision for impairment of inventories | **2,148** | 303 |
| Provision for impairment of trade receivables | **1,715** | 716 |
| Foreign exchange differences, net | **(759)** | 252 |

## 6. INCOME TAX

The Israeli corporate tax rates applicable to the Company were 23% for the Reporting Period (2020: 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 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% for the Reporting Period (2020: 23%).

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 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 Organisation for Economic Co-operation and Development's guidelines recently published as part of the Base Erosion and Profit Shifting (BEPS) project. The regulations were approved in May 2017 and accordingly, have come into effect.

## 6. INCOME TAX (Continued)

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 June 30, 2021, Alma Lasers Ltd. enjoyed a preferential effective tax rate of 6%, for being a SPTE for the period ended June 30, 2021 (2020: 6%).

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:

## 6. INCOME TAX (Continued)

### RATE REDUCTION

The US is subject to various state income taxes of which the rates vary by state.

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 15.825% during the Reporting Period and was also subject to additional trade income taxes of 16.345% 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 25% and 4% Surcharge bringing it to 26% 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 17%.

| | **For the six months ended June 30** | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(Unaudited)** | (Unaudited) |
| Current | **3,789** | 1,054 |
| Deferred | **(1,013)** | (398) |
| Total tax charge for the period | **2,776** | 656 |

## 7. DIVIDENDS

The board of directors resolved not to declare any interim dividend for the reporting period (six months ended June 30, 2020: Nil).

On March 18, 2021, the board of directors resolved to declare a final dividend of HK$0.07 (inclusive of tax, equivalent to approximately US$0.01) per share for the year ended December 31, 2020 (for the year ended December 31, 2019: HK$0.11). No dividends were paid during the period ended June 30, 2021 (six months ended June 30, 2020: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the six months ended June 30, 2021 and 2020 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, 2020: 442,155,600) in issue during the period.

The calculation of basic and diluted earnings per share are based on:

| | **2021**<br>**US$'000**<br>**(Unaudited)** | 2020<br>US$'000<br>(Audited) |
|---|---|---|
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **16,379** | 5,504 |

| | **Number of shares** | |
|---|---|---|
| | **2021** | 2020 |
| **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, 2020 and 2021 as the Group had no potentially dilutive ordinary shares in issue during those periods.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets at a cost of US$2,080,000 (six months ended 30 June 2020: US$6,256,000).

During the six months ended 30 June 2021, depreciation for property, plant and equipment was US$1,119,000 (six months ended 30 June 2020: US$960,000).

During the six months ended 30 June 2021, disposal of property, plant and equipment was nil (six months ended 30 June 2020: US$48,000).

## 10. TRADE RECEIVABLES

| | **June 30, 2021 US$'000 (Unaudited)** | December 31, 2020 US$'000 (Audited) |
|---|---|---|
| Trade receivables | **70,080** | 58,787 |
| Current | **59,181** | 48,087 |
| Non-current | **10,899** | 10,700 |
| Impairment | **(3,013)** | (1,670) |
| Current | **(3,013)** | (1,586) |
| Non-current | **–** | (84) |
| | **67,067** | 57,117 |

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

| | **June 30, 2021 US$'000 (Unaudited)** | December 31, 2020 US$'000 (Audited) |
|---|---|---|
| Within 1 month | **15,904** | 14,973 |
| 1 to 2 months | **8,910** | 8,872 |
| 2 to 3 months | **6,861** | 4,109 |
| Over 3 months | **35,392** | 29,163 |
| | **67,067** | 57,117 |

## 11. TRADE PAYABLES

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

| | **June 30, 2021 US$'000 (Unaudited)** | December 31, 2020 US$'000 (Audited) |
|---|---|---|
| Within 1 month | **7,726** | 4,100 |
| 1 to 2 months | **4,936** | 3,358 |
| 2 to 3 months | **681** | 1,865 |
| Over 3 months | **28** | 121 |
| | **13,371** | 9,444 |

## 12. COMMITMENTS

(a) The Group did not have any significant capital commitments as at the end of the reporting period.

(b) On December 22, 2020, Sisram Medical (Tianjin) Limited ("Sisram Tianjin"), a subsidiary of the Company, entered into the series A investment agreement as an original shareholder and a series A investor with, among others, Fosun Health Fund (Suzhou) and Fosun Health Fund (Tianjin) (the general partners of which are subsidiaries of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., namely Fosun Pharma) and Tianjin JuveStar Bio-technology Company Ltd ("Tianjin Juvestar") in relation to an aggregate capital injection of US$16,705,000 (equivalent to RMB109,000,000) into Tianjin JuveStar, to which, Sisram Tianjin agreed to contribute US$1,533,000 (equivalent to RMB10,000,000). During the reporting period, the Group contributed US$ 950,000 to Tianjin Juvestar. The remaining amount will be paid once the related payment conditions are satisfied.

## 13. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial information, the Group had no transaction with its related parties during the reporting period.

(b) Compensation of key management personnel of the Group:

| | **For the six months ended June 30** | |
|---|---|---|
| | **2021 US$'000 (Unaudited)** | 2020 US$'000 (Unaudited) |
| Salaries, allowances and benefits in kind | **824** | 620 |
| Performance related bonuses | **662** | 254 |
| Total compensation paid to key management personnel | **1,486** | 874 |

(c) In December 2019, Alma signed contracts with Chindex (Beijing) International Trade Co. Ltd ("Chindex") in which Chindex will provide Alma with regulation services of registration in China. Alma paid US$422,049 to Chindex for the reporting period.

## 14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at June 30, 2021 and December 31, 2020, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, deposits, and other receivables, trade payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the Reporting Period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank borrowings as at the end of the Reporting Period was assessed to be insignificant.

The Group enters into derivative financial instruments with The HongKong and Shanghai Banking Corporation Limited. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of a subsidiary included in other payables and accruals of US$11,063,000 (December 31, 2020: US$11,265,000) is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of a subsidiary.

### FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

**As at June 30, 2021**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) US$'000 (Unaudited) | Significant observable inputs (Level 2) US$'000 (Unaudited) | Significant unobservable inputs (Level 3) US$'000 (Unaudited) | Total US$'000 (Unaudited) |
| Derivative Financial Instruments | – | 372 | – | 372 |

The Group did not have any financial assets measured at fair value as at December 31, 2020.

## 14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### FAIR VALUE HIERARCHY *(Continued)*

Liabilities measured at fair value:

**As at December 31, 2020**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) US$'000 (Audited) | Significant observable inputs (Level 2) US$'000 (Audited) | Significant unobservable inputs (Level 3) US$'000 (Audited) | Total US$'000 (Audited) |
| Derivative financial instruments | – | 479 | – | 479 |
| Amounts included in other payable and accruals | – | – | 11,265 | 11,265 |
| | – | 479 | 11,265 | 11,744 |

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended June 30, 2020: Nil).

## 15. EVENTS AFTER THE REPORTING PERIOD

### ACQUISITION OF SHANGHAI FOSHION MEDICAL SYSTEM CO., LTD.

On July 13, 2021, Sisram Tianjin acquired 100% equity interest of Shanghai Foshion Medical System Co., Ltd., from Fosun Pharma and Qianda (Tianjin) International Trading Co., Ltd, another wholly-owned subsidiary of Fosun Pharma. The total consideration for the acquisition is RMB312.4 million. Upon the completion, Shanghai Foshion Medical System Co., Ltd. became a wholly-owned subsidiary of the Company.

### SUBLICENCE AGREEMENT WITH FOSUN PHARMA INDUSTRIAL

On July 14, 2021, Sisram Tianjin entered into a Sublicence Agreement with Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Fosun Pharma Industrial"), a wholly-owned subsidiary of Fosun Pharma, pursuant to which Sisram Tianjin agreed to sublicense from Fosun Industrial the relevant know-hows and patents of the finished form of the injectable pharmaceutical drug product ("Licensed Product"), so as to, among other things, import, use, sell or commercialize the Licensed Product in the PRC, Hong Kong SAR and Macau Special Administrative Region.

### PLACING OF NEW SHARES

On July 27, 2021, a total of 24,000,000 new shares ("Placing Shares"), representing approximately 5.15% of the total issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares, have been placed to no less than six placees. The number of total issued Shares of the Company has increased from 442,155,600 Shares to 466,155,600 Shares as a result of the issue of the Placing Shares.

## Results and Dividends

The Group's results for the six months ended June 30, 2021 and the state of affairs of the Group as at June 30, 2021 are set out in the interim condensed consolidated financial statements and the accompanying notes on pages 30 to 41. The Board has not recommended the distribution of any interim dividend for the Reporting Period.

## The Global Offering

On September 19, 2017, the shares of the Company were listed on the Main Board of the Stock Exchange. The Global Offering of the Shares comprises the Hong Kong public offering of initially 11,000,000 Shares and the international offering (including the preferential offering) of initially 99,000,000 Shares (subject to, in each case, reallocation and the over-allotment option granted by the Company).

## 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$359.60 million has been used in accordance with the plan disclosed in the prospectus of the Company (as adjusted in accordance with the announcements issued by the Company on October 8, 2018 and April 22, 2021). As of the date of this interim report, all such HK$359.60 million of net proceeds have been used for the Foshion Acquisition which was completed on July 13, 2021.

## One-Off Connected Transactions

### Registration Support Service Agreement

Alma, the principal operating subsidiary of the Company, entered into the registration support service agreement (the "Registration Support Service Agreement") with Chindex (Beijing) International Trade Co., Ltd. ("CML Beijing"), a wholly-owned subsidiary of Fosun Pharma on December 9, 2019, which was amended on January 21, 2021. Pursuant to the Registration Support Service Agreement, CML Beijing agreed to provide the registration support service to Alma for one product distributed by the Group in the PRC. CML Beijing is expected to incur a maximum of US$1.7 million in relation to the provision of the registration support service. Alma would pay CML Beijing based on the costs and related miscellaneous fees and costs CML Beijing charged by and/or paid to third parties upon attaining different stages of the project, subject to any material change of the scope of registration support services under the Registration Support Service Agreement, and Alma would in turn be reimbursed by the licensor of such product. No fees were paid by Alma to CML Beijing in 2019 and during the financial year ended December 31, 2020 and June 30, 2021, Alma paid US$409,747 and US$422,049 to CML Beijing respectively.

### Series A Investment Agreement in Tianjin JuveStar

On December 22, 2020, Sisram Tianjin, a subsidiary of the Company, entered into the Series A Investment Agreement as an original shareholder and a series A investor with, among others, Fosun Health Fund (Suzhou) and Fosun Health Fund (Tianjin) (the general partners of which are subsidiaries of Fosun Pharma) and Tianjin JuveStar Biotechnology Company Ltd* (天津星魅生物科技有限公司) ("Tianjin JuveStar") in relation to an aggregate capital injection of RMB109 million into Tianjin JuveStar, of which, Sisram Tianjin agreed to contribute RMB10 million. The investment is regarded as an one-off connected transaction entered into the Company and is subject to the reporting and announcement requirements but exempt from circular and independent Shareholders' approval requirements as required under the Listing Rules.

### Acquisition of Foshion

On April 22, 2021, Sisram Tianjin acquired 100% equity interest of Foshion, from Fosun Pharma and Tianjin Qianda, another wholly-owned subsidiary of Fosun Pharma. The total consideration for the acquisition is RMB312.4 million. Upon the completion, Foshion became a wholly-owned subsidiary of the Company. The acquisition was completed on 13 July 2021.

## Share Capital

As at the date of this interim report, the authorised share capital of the Company is NIS10,000,000, comprising 1,000,000,000 Shares of NIS0.01 each, among which, 466,155,600 Shares are issued and fully paid.

## Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained a public float of no less than 25% of the issued Shares as at the date of this interim report.

## Purchase, Sale or Redemption of Listed Securities by the Company

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

** For identification purpose only*

## Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at June 30, 2021, the interest and/or short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

| Name of Directors | The company in which the interests are held | The class of shares | Capacity and nature | Number of shares held | Percentage of shareholding in the relevant class of shares |
|---|---|---|---|---|---|
| Lior Moshe DAYAN | Company | Ordinary Shares | Beneficial owner | 113,500 | 0.03% |
| Yifang WU | Fosun Pharma | H Shares | Beneficial owner | 342,000 | 0.06% |
| | | A Shares | Beneficial owner | 718,900 | 0.04% |
| Yao WANG | Fosun Pharma | A Shares | Beneficial owner | 50,000 | 0.002% |

Save as disclosed in the foregoing, as at June 30, 2021, none of the Directors or chief executive of the Company or their respective close associates had any interests or short positions in any shares, underlying shares, or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

During the Reporting Period, no rights to acquire benefits by means of the acquisition of shares or debentures of the Company were granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement which enabled the Directors to acquire such rights in any other body corporate.

## Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

As at June 30, 2021, so far as is known to the Directors, the persons or entities, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

| Name of Shareholders | Capacity | Number of Shares held or interested | Approximate Percentage (%) |
|---|---|---|---|
| CML | Beneficial owner | 127,318,640 (L)[1] | 28.79% |
| Ample Up[2] | Beneficial owner | 203,240,160 (L) | |
| | Interest in controlled corporation | 127,318,640 (L) | |
| | | 330,558,800 (L) | 74.76% |
| Fosun Industrial[3] | Interest in controlled corporation | 330,558,800 (L) | 74.76% |
| Fosun Pharma[4] | Interest in controlled corporation | 330,558,800 (L) | 74.76% |
| Fosun High Tech[5] | Interest in controlled corporation | 330,558,800 (L) | 74.76% |
| Fosun International[6] | Interest in controlled corporation | 330,558,800 (L) | 74.76% |
| FHL[7] | Interest in controlled corporation | 330,558,800 (L) | 74.76% |
| FIHL[8] | Interest in controlled corporation | 330,558,800 (L) | 74.76% |
| Guangchang GUO[9] | Interest in controlled corporation | 330,558,800 (L) | 74.76% |

Notes:

(1) (L): Long Positions

(2) CML is wholly owned by Ample Up. Ample Up is deemed to be interested in the Shares in which CML is interested as legal and beneficial owner.

(3) Ample Up is wholly owned by Fosun Industrial. Therefore, Fosun Industrial is deemed to be interested in an aggregate holding of 330,558,800 Shares which Ample Up is interested in, comprising 203,240,160 Shares held by Ample Up and 127,318,640 Shares held by CML.

(4) Fosun Industrial is wholly owned by Fosun Pharma. Therefore, Fosun Pharma is deemed to be interested in the Shares in which Fosun Industrial is deemed to be interested.

(5) Fosun High Tech controls the exercise of more than one-third of the voting rights at the general meeting of Fosun Pharma. Fosun High Tech is deemed to be interested in the Shares in which Fosun Pharma is deemed to be interested.

(6) Fosun High Tech is wholly owned by Fosun International. Fosun International is deemed to be interested in the Shares in which Fosun High Tech is deemed to be interested.

(7) FHL controls the exercise of more than one-third of the voting rights at the general meeting of Fosun International. FHL is deemed to be interested in the Shares in which Fosun International is deemed to be interested.

(8) FHL is wholly owned by FIHL. FIHL is deemed to be interested in the Shares in which FHL is deemed to be interested.

(9) Guangchang GUO controls the exercise of more than one-third of the voting rights at the general meeting of FIHL. Guangchang GUO is deemed to be interested in the Shares in which FIHL is deemed to be interested.

Save as disclosed herein, there is no other person known to the Directors or chief executive of the Company who, as at June 30, 2021, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 under Part XV of the SFO or who is, directly or indirectly, interested in 5% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

## 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 as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors have confirmed that they have fully complied with the relevant requirements set out in its own code of conduct during the Reporting Period.

## Compliance with the Corporate Governance Code

The Company is committed to enhancing shareholder value by achieving high standards of corporate conduct, transparency and accountability. The Board is of the view that, during the Reporting Period, the Company has been in full compliance with all code provisions of the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules.

## Review of Interim Report by the Audit Committee of the Company

The audit committee of the Company comprised Mr. Heung Sang Addy FONG, Mr. Chi Fung Leo CHAN and Ms. Jenny CHEN, all being independent non-executive Directors. The audit committee of the Company has reviewed the unaudited interim results and the interim report of the Group for the six months ended June 30, 2021.

## Share Option Scheme

During the Reporting Period, the Group has no share option scheme.

## Directors

### Executive Directors

Mr. Yi LIU (劉毅) *(Chairman)*
Mr. Lior Moshe DAYAN *(Chief Executive Officer)*
Mr. Guojun BU (步國軍) *(Chief Financial Officer)*

### Non-executive Directors

Mr. Yifang WU (吳以芳)
Mr. Yao WANG (汪曜)
Ms. Rongli FENG (馮蓉麗)

### Independent Non-executive Directors

Mr. Heung Sang Addy FONG (方香生)
Mr. Chi Fung Leo CHAN (陳志峰)
Ms. Jenny CHEN (陳怡芳)
Mr. Kai Yu Kenneth LIU (廖啟宇)

## Audit Committee

Mr. Heung Sang Addy FONG (方香生) *(Chairman)*
Mr. Chi Fung Leo CHAN (陳志峰)
Ms. Jenny CHEN (陳怡芳)

## Nomination Committee

Mr. Yi LIU (劉毅) *(Chairman)*
Mr. Heung Sang Addy FONG (方香生)
Mr. Chi Fung Leo CHAN (陳志峰)

## Remuneration Committee

Mr. Chi Fung Leo CHAN (陳志峰) *(Chairman)*
Mr. Yi LIU (劉毅)
Mr. Heung Sang Addy FONG (方香生)

## Company Secretary

Ms. Mei Ha Wendy KAM (甘美霞) *(FCG, FCS (PE))*

## Authorized Representatives

Mr. Yi LIU (劉毅)
Ms. Mei Ha Wendy KAM (甘美霞)

## Headquarters, Registered Office and Principal Place of Business in Israel

Ofek Building 15, HaHarash Street 18
Industrial Park
Caesarea 3079895
Israel

## Principal Place of Business in Hong Kong

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

## Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## Auditors

Ernst & Young
*Certified Public Accountants*
*Registered Public Interest Entity Auditor*
27/F One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

## Hong Kong Legal Adviser

Freshfields Bruckhaus Deringer
55/F, One Island East
Taikoo Place, Quarry Bay
Hong Kong

## Israeli Legal Adviser

Yigal Arnon & Co.
1 Azrieli Center
Tel Aviv 6702101
Israel

## Stock Short Name

SISRAM MED

## Stock Code

01696

## Company Website

www.sisram-medical.com

In this interim report, the following expressions have the meanings set out below unless the context requires otherwise.

| | |
|---|---|
| "**Alma**" or "**Alma Lasers**" | Alma Lasers Ltd., a company incorporated in Israel with limited liability, a wholly-owned subsidiary of the Company |
| "**Ample Up**" | Ample Up Limited (能悅有限公司), a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of Fosun Industrial |
| "**APAC**" | Asia-Pacific |
| "**Board**" or "**Board of Directors**" | the board of Directors of the Company |
| "**CML**" or "**Chindex**" | Chindex Medical Limited (美中互利醫療有限公司), a wholly-owned subsidiary of Ample Up |
| "**Company**" or "**Sisram**" | Sisram Medical Ltd (復銳醫療科技有限公司*), a company incorporated in Israel with limited liability, the shares of which are listed on the Stock Exchange |
| "**Controlling Shareholder**" | has the meaning ascribed thereto under the Listing Rules |
| "**COVID-19**" or "**pandemic**" | Coronavirus disease 2019 |
| "**DACH**" | Germany, Austria and Switzerland |
| "**Director(s)**" | the director(s) of the Company |
| "**FDA**" | Food and Drug Administration of the United States |
| "**FHL**" | Fosun Holdings Limited (復星控股有限公司), a company incorporated in Hong Kong with limited liability, which is wholly owned by FIHL |
| "**FIHL**" | Fosun International Holdings Ltd. (復星國際控股有限公司), a company incorporated in the British Virgin Islands with limited liability |
| "**Foshion**" | Shanghai Foshion Medical System Co., Ltd* (上海復星醫療系統有限公司), a company established in the PRC with limited liability |
| "**Foshion Acquisition**" | the acquisition of Foshion by Sisram Tianjin, which was completed on July 13, 2021 |
| "**Fosun High Tech**" | Shanghai Fosun High Technology (Group) Co., Ltd.* (上海復星高科技(集團)有限公司), a wholly-owned subsidiary of Fosun International |

* *For identification purpose only*

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|---|---|
| "**Fosun Industrial**" | Fosun Industrial Co., Limited (復星(實業)有限公司), a wholly-owned subsidiary of Fosun Pharma |
| "**Fosun International**" | Fosun International Limited (復星國際有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange |
| "**Fosun Pharma**" | Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed and traded on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, respectively |
| "**Fosun Pharma Industrial**" | Shanghai Fosun Pharmaceutical Industrial Development Co.,Ltd.* (上海復星醫藥產業發展有限公司), a company established in the PRC with limited liability and a subsidiary of Fosun Pharma and the sub-licensor of the Sublicense Agreement |
| "**Fosun Pharma Group**" | Fosun Pharma and its subsidiaries (excluding the Group) |
| "**Global Offering**" | the initial public offering of the Company's shares |
| "**Group**", "**we**", "**us**" or "**our**" | the Company and its subsidiaries |
| "**HK$**" | Hong Kong dollars, the lawful currency of Hong Kong |
| "**Hong Kong**" | Hong Kong Special Administrative Region of the PRC |
| "**IASB**" | International Accounting Standards Board |
| "**IFRSs**" | International Financial Reporting Standards |
| "**IoT**" | Internet of Things |
| "**Licensed Product**" | finished form of the injectable pharmaceutical drug product containing DaxibotulinumtoxinA |
| "**Listing Rules**" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "**M&A**" | mergers and acquisition |
| "**Model Code**" | the Model Code for Securities Transactions by Directors of Listed Issuers |
| "**NIS**" | New Israeli Shekels, the lawful currency of Israel |
| "**Nova**" | Nova Medical Israel Ltd., a private company organised under the laws of Israel |

* *For identification purpose only*

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|---|---|
| "**PRC**" or "**China**" | the People's Republic of China, which for purpose of this interim report only, excludes Hong Kong, Macau Special Administrative Region and Taiwan |
| "**Prospectus**" | the prospectus issued by the Company on September 5, 2017 in connection with the Hong Kong public offering and the international offering of the Shares |
| "**R&D**" | research and development |
| "**Reporting Period**" | the six months ended June 30, 2021 |
| "**RFR**" | risk-free rate |
| "**SFO**" | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| "**Shareholder(s)**" | holder(s) of the Share(s) |
| "**Share(s)**" | the share(s) in the capital of the Company |
| "**Sisram Tianjin**" | Sisram Medical (Tianjin) Limited* (復鋭醫療科技(天津)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company |
| "**SPTE**" | special preferred technological enterprise |
| "**Stock Exchange**" | the Stock Exchange of Hong Kong Limited |
| "**TCJA**" | the U.S. Tax Cuts and Jobs Act of 2017 |
| "**Tianjin Qianda**" | Qianda (Tianjin) International Trading Co., Ltd* (謙達(天津)國際貿易有限公司), a company established in the PRC with limited liability and a subsidiary of Fosun Pharma |
| "**US$**" | United States Dollars, the lawful currency of the United States |
| "**YOY**" | year over year |
| "**2011 Amendment of the Investment Law**" | the Law for the Encouragement of Capital Investments, 1959 (as amended in 2011) |

* *For identification purpose only*