



(Incorporated in Israel with limited liability)

Enhancing Quality of Life

# 2022 Annual Report

Sisram Med  
Stock Code: 1696.HK



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## Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the note below.

### Results

	2022 US\$'000	Year ended December 31,			
		2021 US\$'000	2020 US\$'000	2019 US\$'000	2018 US\$'000
<b>Operating results</b>					
Revenue	354,480	294,294	162,095	173,520	153,919
Gross profit	202,226	166,861	90,301	95,874	82,297
Profit before tax	44,242	41,672	16,662	24,839	22,784
Profit for the year	40,080	32,520	14,680	21,935	21,831
Profit attributable to owners of the parent	40,170	31,245	13,344	20,785	21,831
<b>Profitability</b>					
Gross margin	57.0%	56.7%	55.7%	55.3%	53.5%
Net profit margin	11.3%	11.1%	9.1%	12.6%	14.2%

### Assets and liabilities

	2022 US\$'000	As at December 31,			
		2021 US\$'000	2020 US\$'000	2019 US\$'000	2018 US\$'000
<b>Assets and liabilities</b>					
Total assets	555,601	530,132	431,806	392,832	350,075
Total liabilities	123,376	126,507	99,917	67,262	35,975
Net assets	432,225	403,625	331,889	325,570	314,100
Cash and bank balances	81,548	153,062	116,527	107,792	104,530

Note:

The consolidated results of the Group for the five years ended December 31, 2018, 2019, 2020, 2021 and 2022 and the consolidated assets and liabilities of the Group as at December 31, 2018, 2019, 2020, 2021 and 2022 have been extracted from the published audited consolidated financial statements.

The summary above does not form part of the audited consolidated financial statements.



# Healer with a Shining Heart

The 3-year-pandemic has reshaped all our work and living. Wellness and health gradually become everyone's dominant concern in our communities. We see consumers earnestly seek for their best in appearance, actions and feeling. As the pandemic is fading out and the low-dependency medical aesthetics have made great progress, the aesthetics market thrives on the restoration of the pursuit for wellness and health among growing consumers. In the past year, hot beauty topics like firming and anti-aging, skin brightening, fat reduction and body shaping maintained our focus and boosted the substantial increase in the demand for the low-dependency medical aesthetics which are treatments mainly enhanced by natural energy sources.

As a global conglomerate with a mission striving for beauty and health, Sisram is a master of harnessing nature's energy sources by technology for the provision of solutions for medical aesthetics treatment and related medical clinical indications to its customers. We are committed to create an ecology implanted with by Sisram's love and quest for beauty and health while rendering our consumers with a professional and comprehensive experience of beauty and health. Currently, the Group's business consists of four pillars: Medical Aesthetic Energy Based Device, Injectables, Personal Care, and Aesthetics and Digital Dentistry.

In retrospect, the Company has been deeply involved in the industry for more than 20 years and our business has been extended to more than 90 countries and regions. During 2022, despite the ongoing COVID-19 pandemic, the Company's vision remained intact, and we kept strengthening our global channels and business deployment and implementing the two key strategic tactics, namely direct sales expansion and business diversification, as follows:

- 1) **Deploying our direct sales to connect end consumers:** "Continuing to promote the global direct sales and keep close to our end consumers" is a long-term development strategy of the Company. During the Reporting Period, the Company consolidated and explored the European market and expanded the proportion of direct sales by establishing direct sales channels in the U.K., and further improved the customer experience and our product competitiveness in that local market. Entering into 2023, the Company has successively expanded our direct sales channels into the United Arab Emirates and China with the latter as the core strategic market where the Company puts forward the direct sales channel development, strengthens collaboration and empowerment, effectively promotes the construction of localization with an aim to penetrate into the Asia-Pacific market and build a marketing network. That is also an important initiative for deploying our direct sales to connect our end consumers.
- 2) **Expanding business segments and offering differentiated products:** The Company takes Energy Based Device as our main business line which provides high-quality products; simultaneously, we also put great emphasis on expansion into other business segments for catering their market demand. "Enriching the diversity of business formats and offering differentiated products" is another important strategy of the Company. During the Reporting Period, the Company: 1) extended our reach to silk fibroin sodium hyaluronate composite gel and facial implant thread products; 2) explored innovative biomaterial sector and incorporated high-end materials and technologies such as non-invasive veneers to enrich the product portfolio and sharpen the competitive edges of our Aesthetics and Digital Dentistry segment; and 3) developed home-use device products, so as to promote the diversified development of the Company's business segments as well as proactively leverage the synergies within



the Group to facilitate the formation of an interconnected beauty and health ecology. In April 2023, Daxxify, a long-lasting Botox product which the Company has exerted great effort for its development, was accepted by the National Medical Products Administration for review and entered the fast track of commercialization, positioning as a new revenue driver for the Company in the coming years and an impetus to enhance cohesiveness and monetization of the Company's various business segments.

While expanding our business scope, the Company pays close attention to bolster our cornerstone and takes "innovative R&D" and "digital operation" as our pathways for inner strength. We believe:

- 1) **innovation brings long-term growth:** Increasing R&D investment may promote the iterative upgrade and innovation of the high-end new equipment for the Company's important Energy Based Device segment, kick-start new meanings and facets of wellness, such as exploring the male market to cater the emerging needs of the market and customers, and bring new engines for the Company's future growth.
- 2) **digital operation integrates internal resources:** Focusing on digital operation, the Company has established and consolidated a unified internal operation core and foundation throughout our multiple departments and business lines, and enhanced our overall synergies.

This year is the beginning of a new golden era. As more consumers join the quest for beauty, aesthetic trends turn out to be diversified and individualized. While "Her Economy" continues to prosper, numerous male consumers become more engage and accustomed to the aesthetics market. Nevertheless, the global medical aesthetics industry is still in an important stage of development and transformation with both challenges and opportunities. The Company will adhere to our mission of "pursuing a higher quality of life", uphold our long-term development strategies of "continuous expansion" and "diversified business formats", and further the Company's expansion and flourishing influence with innovative R&D and digital operation as our internal driving forces.

Looking ahead, the Company will deepen our effort in key markets such as China and North America without partial to anyone for a balanced development in the year. At the same time, the Company will expand our direct sales network globally to further explore and consolidate potential opportunities in North America, Asia-Pacific, Europe, and the Middle East, accelerating our pace of diversified market deployment around the globe. Meanwhile, we shall not neglect to innovate in line with the ever-changing market demand, strengthen the provision of personalized products and treatment solutions, create a diversified product portfolio that is customer-centric, and promote cohesiveness and mutual empowerment of our various business segments in order to create a Sisram's ecology of wellness and health.

Lastly, I would like to take this opportunity to express my sincere gratitude to the Board of Directors, management, shareholders, partners, customers, consumers, and Sisram's employees for your continuous support.

**Liu Yi**  
Chairman



# Empowering wellness for everyone, everywhere

Over the course of 2022, as restrictions were lifted across the globe, Sisram saw important normalization of operations and impressive growth. With a strategic focus on innovation, digitalization, brand awareness, and ecosystem development, Sisram increased revenue in 2022 to US\$354.5 million, reflecting year-over-year growth of 20.5%. Sisram's growth strategy is based on identifying the technologies, partnerships and synergies that will enable us to strengthen and expand our global presence and market position. Our mission is to provide a wide and innovative range of wellness solutions, and we continue to look for complimentary opportunities that will enable us to increase market share and deliver exceptional customer experiences.

Sisram currently operates four primary business lines: Energy-Based Devices, Injectables, Aesthetics and Digital Dentistry, and Personal Care.

## Steady global growth for Energy-Based Device business line

Our Energy-Based Device business line, led by our flagship brand Alma, continues to drive the company's growth and market presence. In 2022, the Energy-Based Device segment grew by 18.7% year over year, generating total revenues of \$306.8 million. The following major accomplishments were achieved in 2022:

### 1. The company launched two new products

- a. Alma TED™: an ultrasound-based system that offers a non-invasive solution to address the growing North American market for hair loss treatment. The platform was launched in the United States in March and also launched in Canada in August 2022.
- b. CBD+ Professional Skincare Solution™: the first professional skincare solution combining the scientific benefits of full spectrum cannabidiol (CBD) with clinically proven cosmetic ingredients to visibly reduce redness and rebalance the skin to a healthy, natural state. The consumable was launched in the United States in March.

### 2. Resumption of marketing activities:

- a. The past year also saw the return of face-to-face events: Alma Academy Spain in Toledo, Alma Academy USA in Texas, and Alma Academy UAE in Dubai. Alma Academy is an innovative channel to foster tight bonding with the market, allowing the Company to drive public opinion toward our vision and solutions. This direct connection with customers also allows us to effectively collect customer feedback by closing the loop with R&D and meeting the needs of different regions, eventually enhancing the impact of the global brand family.
- b. In 2022, we also attended the Aesthetic and Anti-Aging Medicine World Congress (AMWC) and International Master Course on Aging Science (IMCAS) for the first time post-Covid.



## All eyes on our new injectable business lines

Sisram is committed to identifying synergies and developing solutions that will provide comprehensive wellness and aesthetic benefits.

In Sisram's **Injectables** line, revenues continue to grow steadily. This business line generated US\$9.2 million in 2022, growing 43.9% over the previous year. The following exciting developments took place in 2022:

### 1. Blockbuster new products in development:

- a. **Daxxify:** Successfully acquired licensing to import, use, sell and commercialize Daxxify in mainland China, Hong Kong, and Macao. Daxxify™ is the first and only FDA-approved, long-lasting peptide-formulated neuromodulator product for use in adults for the temporary improvement of moderate to severe frown lines (glabellar lines). Sisram has submitted the BLA for Daxxify to the National Medical Products Administration (NMPA) in China for approval, which has been accepted in April 2023.
- b. **Profhilo:** first BDDE-free injectable hyaluronic acid (HA)-based product for treating skin laxity. With one of the highest concentrations of HA on the market (64mg/2ml), the product not only boosts and hydrates the skin but also remodels ageing and sagging tissue. This product is currently selling in Israel, India and Hong Kong.

### 2. Other investments in early-stage innovation projects:

- a. **JS-001:** the Phase IIb clinical result on submental fat reduction of JS-001 reached its primary endpoint. Multi-regional phase III clinical trials (including mainland China) of JS-001 will be initiated in 2023 to further verify its safety and efficacy.
- b. **Silk fibroin-sodium products:** Sisram entered into an investment agreement with select industry partners to establish Tianjin Xingsiyi, which will engage in the research and development, technical services, and supply of silk fibroin-sodium hyaluronate composite gel and facial implant thread products.

With more and more new products launching, we expect the Injectables business line to become one of the major revenue drivers in the future.

## Developing business lines

Sisram's **Dental** business line also continues to grow, with revenues up 34.4% year-over-year. We continue to broaden our dental offerings through both strategic investment and internal development:

- a. The company successfully launched the Copulla Dental CAD/CAM application. With the initial version of the app, we can now begin a pilot program with top-tier dental clinics in Israel to provide an initial evaluation based on end-user feedback. The end-to-end application will provide seamless service on a single platform.
- b. Sisram completed an investment in Fuzhou Rick Brown to increase our digital dentistry footprint as well as to offer opportunities to increase our brand recognition.

With these two developments, we expect distribution revenues and monthly user fees from the app to accelerate the dental division's top line growth.

## Chief Executive Officer's Review

For Sisram's **Personal Care** business line, following the May launch of LMNT One™ in China, we successfully launched the device in Italy. LMNT One™ delivers medical-grade treatment to consumers, demonstrating Sisram's standards and technology capabilities.

Finally, as part of our long-term strategy to expand our direct reach, we have established new direct channels in the United Kingdom and Dubai. We expect the direct channels to support the strong growth in demand for Sisram's devices and services in Europe and the Middle East. Revenue from direct sales accounted for 66% of total revenue in 2022.

## Outlook

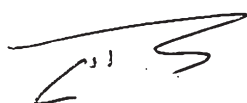
As we look back on our progress and achievements in 2022, we are also reminded of the opportunity that lies ahead. We will continue to invest in our core digital architecture, which links our different business lines within the Company and our customers on a global scale.

This software infrastructure is shared by our business units, so these investments serve to increase synergies throughout the company. We are laser-focused on expanding the company by developing the U.S. and Asian markets, while also exploring new opportunities in the Middle East.

In the U.S., we are expanding our ecosystem with a focus on personal care products, beginning with the launch of LMNT One™. As we grow our North American office, we aim to fully integrate our consumable products into the Sisram ecosystem. We will also consider opening a Sisram Concept Center.

In Asia, we seek to maintain market leadership through new Alma product launches, as well as research and development investments targeted at new generations for existing platforms. We aim to establish a strategic plan for injectables in the APAC and EMEA markets while strengthening our brand awareness in both regions.

I would like to thank all our employees as they work diligently to develop Sisram into an innovative global wellness ecosystem. To our shareholders, I am grateful for your ongoing trust. We will continue in our efforts to execute on our strategic plan and enhance value for our investors.



**Lior M. Dayan**  
Chief Executive Officer



## 1. BUSINESS REVIEW

Sisram Medical, as a global group company developing its wellness business, is deeply rooted in the medical aesthetics industry for over two decades, specializing in the R&D and application of the technologies related to natural energy sources, providing customers with solutions for the treatment of medical aesthetics and related medical clinical indications.

Sisram's products and services are featured in the leading surgical, medical and beauty clinics around the world, bringing beauty and health to dozens of millions of consumers worldwide.

We continued to increase and expand the diversity of our products and treatments portfolio, covering a number of wellness businesses, such as hair removal, skin rejuvenation, acne and acne scars, body & face contouring, pigmentation & skin resurfacing, fat grafting, dermal facial fillers, skin tissue remodelling injectables, personal care and aesthetic dentistry.

Sisram's Group includes the following global brands: Alma Lasers Ltd. ("**Alma**") – an energy-based medical aesthetics equipment provider, Shanghai Foshion Medical System – a leading Chinese distributor of global dental equipment brands, also operating a global standard Dental CAD/CAM center in mainland China, Copulla – a new, innovative digital dentistry service and LMNT – a personal care brand, now launching a light-based skin rejuvenation home use device. Through Alma, the Company's core subsidiary, the Company also established its presence in the injectables sector with a distribution agreement from IBSA Derma, a Swiss cosmeceutical company and a leading subsidiary of IBSA Pharma Corporation, for the distribution of its products in Israel, Hong Kong SAR, India and Mainland China. In addition, the Company also entered sublicense-related agreements with Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. to obtain the exclusive right to import and commercialize Daxxify in mainland China, Hong Kong SAR and Macao SAR.

## 2. BUSINESS REVIEW OF 2022

### Revenues

In 2022, Sisram achieved total revenue of US\$354.5 million through its established global sales and distribution network, representing an increase of 20.5% compared to 2021. The increase was mostly attributed to the fact that the Company's continuous expansion of existing distribution network and successful introduction of new products and new B2C activity.

The Company introduced new products and promoted the existing product to new markets in 2022.

### *Brand new products:*

- A novel trans-epidermal delivery platform (Alma Ted™) – an ultrasound-based platform that offers a non-invasive, non-traumatic option to address the growing demand from North America market for treatment of hair loss. The product was launched in the U.S. in March 2022 and in Canada in August 2022.
- CBD+ Professional Skincare Solution™ – the first professional skincare solution that combines the scientific research achievements of full-spectrum cannabidiol (CBD), shown to visibly reduce redness and calm the appearance of stressed skin, with clinically proven cosmetic ingredients to visibly rebalance the skin back to a natural and healthy state. The product was launched in the U.S. in March 2022.
- First home-use device – LMNT One™ – making our offering based on years of experience in the professional medical aesthetics industry available for all consumers in the comfort of their own homes and available for purchase on a leading e-commerce marketplace. The product was initially launched in China in May 2022 and in Italy in June 2022.



**Existing products promotion to new markets:**

- Alma Hybrid™ – the first laser device to include an ablative 10,600 nm (CO2) laser and a non-ablative 1,570 nm laser for skin resurfacing that can be used independently, or as a tailored treatment solution by combining both wavelengths. After being launched in the European market in 2020 and in the U.S. market in 2021, the product was introduced in Canada in 2022.
- Alma Duo™ – an advanced, effective, FDA – cleared solution that uses the gold standard in shock wave technology – focused low-intensity extracorporeal shock wave therapy (LI-ESWT) – to promote blood flow to the sexual organs, restoring natural function and helping with the effects of aging on vascular function. As part of Sisram’s sexual wellness focus, the product was successfully launched in the global market in November 2022.

**Direct Channels**

As part of Sisram’s long term strategy to expand our direct reach and being closer to our customer, the Company has established new direct offices in the United Kingdom in June 2022 and in Dubai in February 2023 to support the strong growth in demands for Sisram’s products and services in the European continent and the United Arab Emirates. With the successful launch of the new direct business channels, Sisram expects to further enhance its direct sales globally.

We always maintained continuous business development to facilitate the long-term growth of the Company. During the Reporting Period, we have invested in a company which develops silk fibroin-sodium hyaluronate composite gel and facial implant thread products. In addition, we have invested in a manufacturer which adopts the digitally-aided aesthetic design, creating restoration products, unique non-invasive veneers and innovative bio-glass, to increase the product diversity of the aesthetics and digital dentistry business. Further information about the two investments can be found in Business Development section.

The main regions where revenue was increased during the Reporting Period were North America with an increase of 28.2%, Asia Pacific with an increase of 15.1%, Latin America with an increase of 24.4%, Middle East and Africa with an increase of 18.7% and Europe with an increase of 12.4%.

The gross profit increased from US\$166.9 million in 2021 to US\$202.2 million in 2022, representing an increase of US\$35.3 million. The gross profit margin in 2022 amounted to 57.0%, representing an increase of 0.3% compared to 56.7% in 2021. The increase in gross profit and gross profit margin was primarily affected by the expansion of our direct sales channels which shortened the supply chain of the Company, increased the average selling price, and gained a higher brand visibility and ensured efficient communications with customers. During 2022, revenue derived from direct sales surpassed that from distributors with 66% attributed to the former, representing an increase of 4% when compared with 2021, and 34% attributed to the latter.

For the Reporting Period, the Group achieved profit before tax of US\$44.2 million and profit for the year of US\$40.1 million, representing an increase of 6.2% and 23.2% respectively, when compared with 2021. The increase in profit before tax and profit for the year was mostly due to an increase in revenue (US\$60.2 million), an increase in gross profit (US\$35.3 million), while operating expenses’ percentage from revenue increase by 2% compared with the year ended December 31, 2021.

For the Reporting Period, the Group achieved an adjusted net profit of US\$48.6 million representing an increase of 20.7% when compared with the corresponding period of 2021. The adjusted net profit margin for the Reporting Period was 13.7%. The terms of adjusted net profit and adjusted net profit margin are not financial measures defined under IFRSs. Please see “Financial review – Adjusted net profit and adjusted net profit margin” section below for details.

The Company has maintained stable operation. The Company has sufficient funds to meet its future business needs and sustain the corresponding operational resilience to address the following leading goals:

1. Supporting employees and business partners during challenging times.
2. Adjusting the corresponding ongoing operation strategy based on markets dynamics while balancing all necessary operation elements (sales, production, distribution, service, etc.).
3. Continuing investments in strategic projects – upgrading IT infrastructures (ERP and CRM), planning new campus, conducting R&D projects, advancing clinical studies, maintaining business development, etc.
4. Protecting financial assets' and Company's value.
5. Creating and developing our ecosystem of various business lines and consumer brands, fulfilling the Group's long-term strategic goals.

### R&D

- R&D investments increased by 15.6% YOY.
- 10.9% of corporate employees are R&D specialists.
- During the Reporting Period, the Company launched 3 new products:
  - Alma TED™ – an ultrasound-based system with a propriety tip engineered with Impact Delivery™ that offers a non-invasive, non-traumatic option to address the market's growing hair loss concerns. Impact Delivery™ is a patented ultrasound technology using acoustic pressure to deliver pharmaceuticals and cosmeceuticals trans-epidermally to achieve enhanced results.

- CBD+ Professional Skincare Solution™ – the first professional skincare solution that combines the scientific research achievements of full-spectrum cannabidiol (CBD), shown to visibly reduce redness and calm the appearance of stressed skin, with clinically proven cosmetic ingredients to visibly rebalance the skin back to a natural and healthy state.
- LMNT One™ – a light-based skin rejuvenation treatment designed to create a medical-grade treatment experience for consumers through multiple dimensions such as giving an instant glow and promoting collagen production, and provide technical support to help consumers achieve skin rejuvenation at home.

On the clinical research front, the Group has conducted 18 clinical studies and 2 preclinical studies for FDA approval of a new device. During the Reporting Period, the Group received FDA approval for Soprano Titanium.

### Sales and Marketing

Sisram, as a multi-national entity, makes significant efforts in the localization of operations in each country and region, while building a global brand experience.

During the Reporting Period, we have:

- established new offices in the United Kingdom and Dubai (in early 2023) that aligns with the growing direct operation strategy and aims to cover the full business lines of the Company;

- returned to face-to-face events: hosted hundreds of physicians and business partners around the world at Global Alma Academy Events and Sales meetings such as Alma Academy Spain, Alma Academy USA, Alma Academy UAE. Besides, we have attended the Aesthetic & Anti-Aging Medicine World Congress and the International Master Course on Aging Science for the first time after the COVID-19 pandemic;
- continued the development of new social media accounts, targeting customers and consumers worldwide for education, awareness and achieve traffic conversion;
- built up the B2C channels and activities to support LMNT launch and market penetration;
- continued the launch of audio and video contents by releasing nearly 30 new videos, supporting our entire portfolio and different brands;
- launched a “fake Soprano” campaign to raise awareness regarding buying counterfeit products; and
- launched the Global Customers Experience operation as part of headquarters’ customer business unit, focusing on driving customer centricity approach and improving overall customer experience.

### **Mergers & Acquisition**

The Company’s investment is focusing mainly on investing innovative products and business lines, expanding direct channels and partnering with strategic players, being committed to creating and expanding the beauty and health ecosystem.

#### ***Tianjin Xingsiyi Investment***

On January 10, 2022, the Company entered into an investment agreement (the “**Investment Agreement**”) with, among others, (i) Suzhou Fujian Xingyi Venture Investment Partnership (Limited Partnership), (ii) Tianjin Fosun Haihe Healthcare Industry Fund Partnership (Limited Partnership) and (iii) Tianjin Xingsiyi Bio-technology Co., Ltd. (the “**Tianjin Xingsiyi**”), to jointly set up Tianjin Xingsiyi with an aggregate investment amount of RMB25.0 million. The Company agreed to contribute RMB2.6 million in total and would hold approximately 10.4% of the total issued shares of Tianjin Xingsiyi upon completion.

Tianjin Xingsiyi intends to engage in the research and development, technical services and supply of silk fibroin-sodium hyaluronate composite gel and facial implant thread. Please refer to the announcement of the Company on January 10, 2022 for further information. As of the date of this report, the investment in Tianjin Xingsiyi as contemplated under the investment agreement was completed.

### ***Fuzhou Rick Brown Investment***

On March 16, 2022, the Company entered into an investment agreement with Fuzhou Rick Brown Biotechnology Company Limited (the “**Rick Brown**”), pursuant to which the Company agreed to make investment of RMB35.0 million into Rick Brown. Upon completion of the investment, the Company would hold 23.2% of the equity interest of Rick Brown.

Rick Brown is an innovative bio-glass developer and manufacturer which adopts the digitally-aided aesthetic design, creates restoration products and unique non-invasive veneers. Following the completion of the investment, the Company’s aesthetics and digital dentistry division will distribute the products of Rick Brown in PRC and international markets. Please refer to the announcement of the Company on March 16, 2022 for further information. As of the date of this report, the investment in Rick Brown as contemplated under the investment agreement was completed.

### **Business Development**

#### ***Sub-license Agreement***

On October 26, 2022 and December 15, 2022, respectively, Sisram Medical (Tianjin) Limited (“**Sisram Tianjin**”) entered into the sublicense agreement and its amendments with Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. (“**Fosun Industrial**”), a 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 SAR. The Licensed Product is a research-based product and the first neuromodulator with long-acting duration. It is a new generation neuromodulator in development for the treatment of aesthetic indications and a number of potential therapeutic conditions. Revance Therapeutics, Inc. (“**Revance**”), the head licensor, has successfully obtained the BLA for the

aesthetic indications of the Licensed Product from FDA on September 8, 2022. Please refer to the announcements of the Company dated October 26, 2022 and December 16, 2022 and the circular dated December 23, 2022 for further information. The final approval of the sublicense agreement has been achieved by the extraordinary general meeting of the Company on February 9, 2023.

#### ***New Direct Business Channels in the United Kingdom and Dubai***

In June 2022, the Company established a direct business channel in the United Kingdom and also in February 2023 in Dubai. It is one of the Company’s long-term strategies to set up direct business channels in strategic markets and focus on end users and customers directly, and the Company recognizes the United Kingdom and the United Arab Emirates as a premium and strategic markets to execute its development strategy and build global wellness ecosystem. Please refer to the announcement of the Company dated June 15, 2022 and February 21, 2023 for further information.

### **Operations**

The Group experienced global supply chain risks associated with long lead time of electronic components and material price changes. The Group actively promoted the procurement of strategic materials, realizing a 20.5% increase in revenue and impacted on the company inventory level.

#### **Significant efforts were invested in production ramp-up to accommodate the growing global demand**

- Production lines capacity expanded by recruiting additional manpower
- Procurement of required raw materials to support growing demand, with purchase orders planned a year ahead to avoid shortages

**We focused on the performance appraisal in respect of the improvement of product quality, such as the pass rate and the critical failure rate of new products.**



### Information Systems and Digital Transformation

Over the past 4 years (2019-2022), Sisram spend more than US\$8.5 million in:

- new ERP system rollouts;
- initiating digital processes – business intelligence, customer relationship management, chatbot, customers surveys (Voice of the Customer), digital forms;
- marketing automation;
- migration to cloud-based systems to serve the growing and diverse ecosystem;
- internal organization management – human capital, online training, reporting and more;
- enhanced cyber security systems and tools; and
- new software infrastructure to support our new personal care line and digital dentistry service (Copulla), cyber security, on-line presence consolidation and upgrade.

### 3. OUTLOOK FOR 2023

Based on the demand for the Company’s products, barring any unforeseen circumstances or material change in market conditions, the Group expects to record revenue growth of at least 15%-25% in the whole year of 2023 as compared to the revenue recorded in the corresponding period in 2022.

In 2023, Sisram will continue to follow the constructive disruption strategy by evaluating and implementing technologies, ventures, and synergies in the near future so as to bolster its global position.

The Group’s efforts throughout 2023 will strategically focus on developing the North America and China, and explore development opportunities in the Middle East market.

- North America market: Prepare for business ecosystem expansion efforts of 2023 in North America office with focus on personal care and Sisram Concept Centre;
- China: Maintain market leadership through new Alma product launches and R&D investments targeted at a new generation of device platform; establish a strategic and branding plan for injectables; invest in the aesthetics and digital dentistry business line; and upgrade the software infrastructure and increase synergy among different business units by sharing the data base.

In addition, we plan to:

- expand direct operation to strengthen Sisram’s customer engagement and market position;
- complete R&D development and clinical phases of a next generation of high-level devices, to create the future growth engines;
- continue investing in information system infrastructure to support the growing direct operating business, customer engagement marketing activities, CRM & E-Commerce platforms;
- extend the Group dentistry business by investing in a point-to-point digital service platforms for restorative treatments;
- continue investing in the strategic material purchasing activities to ensure inventory of critical components to support the growing business and ensure the company inventory level;
- continue to enhance the Group global brand awareness and focus on digital and B2C marketing; and
- increase and adjust manufacturing capacity to meet the growing market demands.

## 4. FINANCIAL REVIEW

### Overview

Sisram Medical, as a global group company developing its beauty and health business, is deeply rooted in the medical aesthetics industry for over two decades, specializing in the R&D and application of the technologies related to natural energy sources, providing customers with solutions for the treatment of medical aesthetics and related medical clinical indications.

We continued to enhance and expand the diversity of our products and treatments portfolio, covering a number of beauty and health businesses, such as hair removal, skin rejuvenation, acne and acne scars, body & face contouring, pigmentation & skin resurfacing, fat grafting, dermal facial fillers, skin tissue remodelling injectables, personal care, aesthetic dentistry and more.

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

	2022		2021		YOY %
	Amount	% of revenue	Amount	% of revenue	
	<i>(US\$ in thousands, except for percentages)</i>				
Revenue	354,480	100%	294,294	100%	20.5%
Cost of sales	(152,254)	43%	(127,433)	43.3%	19.5%
Gross profit	202,226	57%	166,861	56.7%	21.2%
Other income and gains	1,326	0.4%	1,223	0.4%	8.4%
Selling and distribution expenses	(99,684)	28.1%	(78,893)	26.8%	26.4%
Administrative expenses	(29,075)	8.2%	(21,815)	7.4%	33.3%
Research and development expenses	(18,023)	5.1%	(15,594)	5.3%	15.6%
Other expenses	(10,035)	2.8%	(7,798)	2.6%	28.7%
Share of profits and losses of associates	(521)	0.1%	(307)	0.1%	69.7%
Finance costs	(1,972)	0.6%	(2,005)	0.7%	(1.6)%
Profit before tax	44,242	12.5%	41,672	14.2%	6.2%
Income tax expense	(4,162)	1.2%	(9,152)	3.1%	(54.5)%
<b>Profit for the year</b>	<b>40,080</b>	<b>11.3%</b>	<b>32,520</b>	<b>11.1%</b>	<b>23.2%</b>

### (a) Revenue

During the Reporting Period, revenue of the Group increased from US\$294.3 million to US\$354.5 million, representing an increase of 20.5% when compared to 2021. The overall increase was primarily attributable to the continuous growth of our existing leading products alongside successful introduction of Alma Ted™, LMNT One™ and CBD+ Professional Skincare Solution™.

#### **Revenue by main product segments**

We generate revenue from the following revenue streams: (i) sale of goods; and (ii) services and others.



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

	2022		2021		YOY %
	Amount	% of revenue	Amount	% of revenue	
<i>(US\$ in thousands, except for percentages)</i>					
Sale of Goods:					
Medical Aesthetics	306,853	86.6%	258,500	87.8%	18.7%
Dental	18,605	5.2%	13,844	4.7%	34.4%
Injectables	9,195	2.6%	6,389	2.2%	43.9%
Subtotal	334,653	94.4%	278,733	94.7%	20.1%
Services and Others	19,827	5.6%	15,561	5.3%	27.4%
<b>Total</b>	<b>354,480</b>	<b>100.0%</b>	294,294	100.0%	20.5%

We derived a substantial majority of our revenue from our Medical Aesthetics product line, representing 86.6% of our total revenue for the Reporting Period. This includes our flagship non-invasive medical aesthetics treatment systems: “Soprano”, “Harmony” and “Accent” equipment platforms. Revenue from the sale of our Medical Aesthetics product line was US\$306.9 million in 2022, representing an increase of 18.7% in comparison with a revenue of US\$258.5 million in 2021. The majority of revenue derived from our traditional leading devices such as “Soprano”, “Harmony”, “Opus” and “Accent”, whilst the overall revenue was enhanced by successful introduction of Alma Ted™, LMNT One™ and CBD+ Professional Skincare Solution™.

During the Reporting Period, the revenues derived from Harmony family represented an increase of 23% when compared to 2021, the revenues derived from Opus represented an increase of 33% when compared to 2021, the revenues derived from Soprano family represented an increase of 25% when compared to 2021 and the revenues derived from Accent family represented an increase of 63% when compared to 2021.

Revenue from our new Dental business line amounted to US\$18.6 million during the Reporting Period, representing an increase of 34.4% as compared with 2021.

Revenue from Injectable line amounted to US\$9.2 million, representing an increase of 43.9% as compared with 2021.

The revenue from service and others amounted to US\$19.8 million, representing an increase of 27.4% as compared with 2021.

Growing revenues from consumables amounted to US\$5.1 million in 2021 and US\$6.2 million in 2022 which represent a 22% growth YOY.



**Revenue by geographic segments**

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

	2022		2021		YOY %
	Amount	% of revenue	Amount	% of revenue	
	<i>(US\$ in thousands, except for percentages)</i>				
Europe	58,323	16.5%	51,890	17.5%	12.4%
North America	143,664	40.5%	112,040	38.1%	28.2%
APAC	98,069	27.7%	85,211	29.0%	15.1%
Middle East and Africa	36,582	10.3%	30,810	10.5%	18.7%
Latin America	17,842	5.0%	14,343	4.9%	24.4%
<b>Total</b>	<b>354,480</b>	<b>100.0%</b>	<b>294,294</b>	<b>100.0%</b>	<b>20.5%</b>

During 2022, North America, APAC and Europe were the Company's most important geographic segments by revenue contribution. The Company has a wide distribution network across more than 90 countries worldwide, including direct operation in ten direct offices.

The revenue derived from North America increased by 28.2% to US\$143.7 million in 2022 from US\$112.0 million in 2021. The increase was primarily attributed to the strong position of Alma's brand and sales operation and the successful launch of Alma Ted™.

The revenue derived from APAC increased by 15.1% to US\$98.1 million in 2022 from US\$85.2 million in 2021. The increase was mainly attributed to the integration of Foshion dental and successful launch of LMNT One™ alongside direct operation expansion (Australia, Korea, and India).

The revenue derived from the Europe segment increased by 12.4% to US\$58.3 million in 2022 from US\$51.9 million in 2021. The increase was mainly attributed to the strong performance of our EBD branding and distribution channel.

The revenue derived from Middle East and Africa increased by 18.7% to US\$36.6 million in 2022 from US\$30.8 million in 2021. The increase was mainly attributed to the expansion of our direct operation in Israel.

Our Latin America revenue increased by 24.4% to US\$17.8 million in 2022 from US\$14.3 million in 2021.

### **(b) Cost of sales**

Cost of sales primarily comprised (i) costs of materials used for production; (ii) cost of rendering of services; (iii) remuneration of production and services employees and (iv) overheads and other miscellaneous costs relating to production. During the Reporting Period, total cost of sales of the Group increased by 19.5% to US\$152.3 million from US\$127.4 million in 2021, which was mainly caused by the increase in revenue volume.

### **(c) Gross profit and gross profit margin**

During the Reporting Period, gross profit of the Group increased by 21.2% to US\$202.2 million from US\$166.9 million in 2021 for the reasons set out in revenue and cost of sales above.

The gross profit margin increased to 57.0% for the Reporting Period from 56.7% in 2021. The increase was mainly due to the Company's continuous expansion of direct sales operation and launches of high profit margin products into leading markets, overcoming operational challenges of increasing component and logistic costs.

### **(d) Selling and distribution expenses**

The selling and distribution expenses primarily consist of: (i) employees' salaries and related cost; (ii) sales commission to sales employees and independent agents; (iii) marketing expenses such as academies, participation in trade shows and presence in social network; and (iv) other sales and marketing expenses.

During the Reporting Period, selling and distribution expenses of the Group increased by 26.4% to US\$99.7 million from US\$78.9 million in 2021. The increase was mainly due to higher compensation expenses to sales team associated with the increase in sales volume, as well as the costs and travel expenses arisen from conducting marketing activities (tradeshows, academies, etc.).

### **(e) Administrative expenses**

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

During the Reporting Period, administrative expenses of the Group increased by 33.3% to US\$29.1 million from US\$21.8 million in 2021. The increase was mainly attributed to information systems manpower investments and other new corporate functions.

### **(f) 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, registration of patents and trademarks. During the Reporting Period, the majority of R&D expenses were recorded in the period that such expenses were incurred and were not capitalized.

During the Reporting Period, R&D expense increased by 15.6% to US\$18.0 million from US\$15.6 million in 2021. The increase was mainly attributed to manpower expenses.

### **(g) Finance costs**

Finance costs are comprised mainly of (i) interest on bank loans, (ii) bank commissions and (iii) interest on lease liabilities. Finance costs decreased to US\$1.97 million in 2022 from US\$2.0 million in 2021.

### **(h) Income tax expense**

The Israeli corporate tax rates are both 23% in 2022 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 decreased to US\$4.2 million, representing a decrease of 54.5% from US\$9.2 million in 2021.

According to the Israeli Income Tax Authority, until the end of 2022, companies need to decide if they want to release their clawback earnings in benefited tax rate. Alma released 100% of their earnings, which was subject to US\$3.8 million of tax expenses.

Alma enjoyed special taxation terms from January 1, 2017.

As of December 31, 2022, Alma, as a SPTE, enjoyed a preferential effective tax rate of 6% (2021: 6%).

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.

On February 26, 2022 Alma and Nova Medical Israel Ltd. (“**Nova**”) received the approval from the Israeli Income Tax Authority effective as of December 31, 2022 for the merger of Nova into Alma under section 103 to the Israeli Tax Ordinance.

### **(i) Profit for the year**

As a result of the foregoing, during the Reporting Period, our profit for the year increased by 23.2% to US\$40.1 million from US\$32.5 million for the corresponding period in 2021. The net profit margin of the Group for 2022 and 2021 was 11.3% and 11.1%, respectively.

### **(j) Adjusted net profit and adjusted net profit margin**

The Group calculates adjusted net profit by taking profit for the period and adjusting: (i) amortization of other intangible assets; (ii) changes in contingent consideration arising from the acquisition of Nova; (iii) deferred tax liability arising from other intangible assets, which primarily relates to acquisitions; (iv) RSU Expenses; and (v) Previous years taxes (Clawback earnings). The Group calculates adjusted net profit margin by dividing adjusted net profit by revenue.

The Group presents this financial measure because it can be used to evaluate financial performance by excluding the impact of items which are not indicative of the Group’s ordinary operating performance.

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

	2022 US\$'000	2021 US\$'000	YOY %
<b>PROFIT FOR THE YEAR</b>	<b>40,080</b>	32,520	23.2%
Adjusted for:			
Amortization of other intangible assets arising from the Alma acquisition	<b>4,611</b>	4,611	0.0%
Amortization of other intangible assets arising from the Nova acquisition	<b>478</b>	478	0.0%
Amortization of other intangible assets arising from the Foshion acquisition	<b>438</b>	242	80.9%
Contingent consideration arising from acquisitions	–	(9)	(100)%
Previous years taxes (Clawback earnings)	<b>920</b>	2,891	(68.2)%
RSU expenses	<b>3,166</b>	294	976.9%
Deduct: deferred tax arising from other intangible assets	<b>(1,061)</b>	(738)	43.8%
<b>Adjusted net profit</b>	<b>48,632</b>	40,289	20.7%
<b>Adjusted net profit margin</b>	<b>13.7%</b>	13.7%	

## 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 “12. Risk Management – (a) Foreign Currency Exposure” for further details. The Group generally finances its operation with internally generated resources.

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

### (b) Gearing Ratio

As at December 31, 2022 and December 31, 2021, 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 Earnings Before Interest and Taxes (“EBIT”) divided by financial costs was 24.6 times as compared with 21.8 times for the corresponding period in 2021. The interest coverage increased mainly because the Group’s EBIT during the Reporting Period increased by 11.1% to US\$48.5 million from US\$43.6 million in 2021.

### (d) Available Facilities

As of December 31, 2022, Sisram did not have any banking facilities. Sisram is mainly financing its operations through cash generated from operating activities.

### (e) Interest Rate

As at December 31, 2022, total interest-bearing bank and other borrowings at a fixed interest rate amounted to US\$5.7 million (As at December 31, 2021: US\$7.3 million).

**(f) Maturity Structure of Outstanding Debts**

The following tables sets forth the maturity structure of outstanding debts as at December 31, 2022 and December 31, 2021.

Current	2022			2021		
	Effective interest rate (%)	Maturity	US\$'000	Effective interest rate (%)	Maturity	US\$'000
Bank and other borrowings*	3.7-4.15	2023	5,743	3.85-4.15	2022	7,293
			5,743			7,293
				<b>December 31, 2022</b>	<b>December 31, 2021</b>	
				<b>US\$'000</b>	<b>US\$'000</b>	
Interest-bearing bank and other borrowings balance				5,743	7,293	
Analysed into:						
Within one year				5,743	7,293	
In the second year				–	–	
<b>Total</b>				<b>5,743</b>	<b>7,293</b>	

\* Other borrowings are mainly loan from the Group's related parties:

	US\$'000	
	2022	2021
	US\$'000	US\$'000
Bank borrowing	718	–
Other borrowings from the Group's related parties	5,025	7,293

## 6. CASH FLOW

Sisram is using its cash primarily for its operating activities, payments of interest and principals of debts due, payments for procurement 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 2022 and 2021.

	2022 US\$ '000	2021 US\$ '000	YOY %
Net cash flows from operating activities	22,039	32,377	(31.9)%
Net cash flows used in investing activities	(52,113)	(46,767)	11.4%
Net cash flows (used in)/from financing activities	(17,847)	55,777	(132.0)%
Net (decrease)/increase in cash and cash equivalents	(47,921)	41,387	(215.8)%
Cash and cash equivalents at beginning of year	124,920	83,373	49.8%
Effect of foreign exchange rate changes, net	(2,206)	160	(1,478.8)%
Cash and cash equivalents at the end of the year	74,793	124,920	(40.1)%
Pledged bank balances for bank loans	134	142	(5.6)%
Term deposits with original maturity of more than three months	6,621	28,000	(76.4)%
Cash and bank balances as stated in the consolidated statement of financial position	81,548	153,062	(46.7)%

### Net cash flows from operating activities

For the Reporting Period, the net cash flows from operating activities were US\$22 million, which was primarily attributable to excellent year with higher revenues and net income compared to 2021.

### Net cash flows from investing activities

For the Reporting Period, the net cash flows used in investing activities were US\$52.1 million, which was mainly attributable to investment in Rick Brown of US\$5 million; investment in Tianjin Xingsiyi Bio-technology Co., Ltd. of US\$0.4 million; investment in Revance of US\$59.3 million; investing in fixed assets of US\$4.7 million; decrease in term deposits US\$17 million; purchases of intangibles of US\$0.3 million; and interest received of US\$0.6 million.

### Net cash flows used in financing activities

For the Reporting Period, the net cash flows used in financing activities was US\$17.8 million, which was primarily attributable to: lease payments and interest paid under IFRS16 of US\$5 million; forward contracts of US\$2 million; dividend paid to shareholders (including tax) of US\$9.3 million; new bank loans, net of US\$1.1 millions; and interest paid of US\$0.4 millions.

## 7. CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

During the Reporting Period, capital expenditures of the Group amounted to US\$4.7 million, which mainly consisted of the costs for additions to plant facilities and the establishment of information system.

As of December 31, 2022, the Group did not have any significant capital commitments.

## 8. CONTINGENT LIABILITIES

As of December 31, 2022, the Group did not have any contingent liabilities.

## 9. MATERIAL ACQUISITION AND DISPOSAL

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

## 10. 2021 RSU SCHEME

On November 30, 2021, the Group adopted the 2021 RSU Scheme, pursuant to which it may grant the Directors of the Company (including executive directors, and non-executive directors, but excluding Independent Non-executive Directors), the directors of the Company's subsidiaries and the employees of the Group, and any other persons who the Board considers, in its absolute discretion, have contributed or will contribute to the Group ("**Participants**") restricted share units ("**RSUs**"). The purpose of the 2021 RSU Scheme is to attract skilled and experienced personnel, to incentivize them to remain with the Group and motivate personnel to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

The RSUs are to be granted by the Company to the Participants at nil consideration subject to the acceptance of the Participants. The RSUs to the Participants shall be vested in four equal instalments in a period of four years after the date of grant. No RSUs shall be granted under the 2021 RSU Scheme after November 30, 2026.

The maximum aggregate number of shares that may be issued under the RSU Scheme shall not exceed 22,107,780 Shares, representing 4.74% of the total number of issued shares as at the date of this report.

On November 30, 2021, the shareholders of the Company granted a specific mandate to the directors of the Company to issue and allot up to 22,107,780 shares upon vesting of the RSUs to be granted under the 2021 RSU Scheme ("**Scheme Mandate**"). As at January 1, 2022 and December 31, 2022, 17,488,230 RSUs were available for grant under the Scheme Mandate, respectively. The number of shares that may be issued in respect of the RSUs granted under the 2021 RSU Scheme during the Reporting Period divided by the weighted average number of shares in issue for the Reporting Period is 0.99%.

The aggregate fair value at the grant day of the free shares granted during the year ended December 31, 2021 amounted to approximately US\$6,766,802, all of which will be charged to profit or loss and the capital reserve as costs of share-based compensation from the date of grant to the date on which the unlocking conditions are fulfilled. The Group recognized an expense of US\$3,165,695 for the year ended December 31, 2022 (2021: US\$294,000).

At December 31, 2022, the 3,232,104 ordinary shares granted in the form of share units have not been registered as share capital of the Company yet and remained unvested, which represented approximately 0.69% of the Company's shares in issue as at December 31, 2022.



Details of the movements of the RSUs during the Reporting Period are set out below:

Grantees	Unvested as at 1 January 2022 <sup>1</sup>		Vested during the Reporting Period <sup>2</sup>		Expired/lapsed during the Reporting Period	Unvested as at 31 December 2022 <sup>3</sup>	
	Number	Date of grant	Number	Weighted average closing price of the shares immediately before the dates on which the awards were vested		Number	Date of grant
Mr. Yi LIU	220,000	December 2, 2021	55,000	7.6	–	165,000	December 2, 2021
Mr. Lior Moshe DAYAN	800,000	November 30, 2021	200,000	7.99	–	600,000	November 30, 2021
Mr. Doron YANNAI	183,490	November 30, 2021	45,873	7.99	–	137,617	November 30, 2021
Five highest paid individuals <sup>4</sup>	800,000	November 30, 2021	256,819	7.80	–	600,000	November 30, 2021
	227,275	December 2, 2021				170,456	December 2, 2021
Other grantees by category	3,188,785	December 2, 2021	779,308	7.6	250,446	2,159,031	December 2, 2021

For details, please refer to the announcement of the Company dated September 9, 2021 and the circular of the Company dated October 25, 2021, in relation to the adoption of the 2021 RSU Scheme.

- 1 The RSUs were granted by the Company at nil consideration subject to the acceptance of the Participants, and no consideration is required from the relevant grantees at the time of vesting. The RSUs granted shall be vested in four equal instalments in a period of four years after the date of grant.
- 2 Vesting of the RSUs granted during the Reporting Period is subject to achievement of certain targets relating to the Company's results.
- 3 No RSUs were granted or cancelled during the year.
- 4 The information includes the grants to Mr. Lior Moshe DAYAN who is categorised as "five highest paid individuals".



## 11. 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 December 31, 2022. The Group did not have other plans for material investments and capital assets.

## 12. RISK MANAGEMENT

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

### (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, Australian Dollar, GBP and CNY. 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) COVID 19 Pandemic Impact

The Group experienced during the past two years global supply chain challenges of long lead time and materials shortages mostly of electronic and optic components which resulted in material price fluctuations. The Group made a strategic material purchasing to secure inventory of critical components to support the growing business and to better control the company's inventory level.

### 13. EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth the number of our employees by function as at December 31, 2022:

Functions	Number of Employees
Operations	282
R&D	93
Sales & Marketing	346
General and Administration	131
Total	851

Employees' headcount in 2022 increased by 21% with the recruitment of 148 employees. R&D activity is conducted only at Alma, with 93 employees, out of total 727 employees in Alma representing 12.8% of corporate employees.

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.

In respect of Directors' emolument, executive Directors and non-executive Directors (excluding independent non-executive Directors) do not receive any salary at the Company's level. However, they are entitled to equity-based payment and the maximum annual economic value of the equity-based payment of each Director shall not be more than 0.06% of the Company's fully diluted share capital. The independent non-executive Directors receive monthly salary based on general workload and comparative market reference.

### 14. USE OF PROCEEDS FROM THE PLACING

On July 27, 2021, a total of 24,000,000 new Shares (the "Placing Shares") were issued by the Company pursuant to a placing agreement dated July 19, 2021 (the "Placing"), representing approximately 5.15% of the total issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the Placing Shares under the Placing was approximately NIS240,000. The Placing Shares have been placed to no less than six places who and whose ultimate beneficial owner shall be a third party independent of the Company and were issued at a placing price of HK\$25.90 per Share representing a discount of approximately 12.79% to the closing price of HK\$29.70 per Share as quoted on the Stock Exchange on July 19, 2021, being the date on which the terms of the Placing were fixed. The net price (after deducting all applicable costs and expenses, including commissions and legal fees) raised per Share upon completion of the Placing was approximately HK\$25.64.

The Directors consider that the Placing represents an opportunity to raise capital for the Company for its business development and to broaden the Shareholder base of the Company.

The Placing had been completed on July 27, 2021 and the net proceeds (after deducting all applicable costs and expenses, including commissions and legal fees) raised from the Placing were approximately HK\$615.47 million. Such net proceeds were intended to be used for the (a) development and operation of the Group’s injectables businesses (including Daxxify under the sublicense agreement which was approved by the shareholders at the extraordinary general meeting of the Company on February 9, 2023 or other injectables business opportunities) and aesthetic dentistry and personal care business units, (b) the expansion of the Group’s global sales channels and (c) general working capital purposes. For details, please refer to the announcements of the Company dated July 20, 2021 and July 27, 2021.

As at the end of the Reporting Period, the net proceeds from the Placing have not been fully utilised. The unutilised amount is expected to be utilised for the purposes as set out above by the end of 2023.

An analysis of the application and utilisation of the net proceeds from the Placing as at December 31, 2022 is set out below:

<b>Allocation of the net proceeds</b>		<b>Allocation of the net proceeds (HK\$ million)</b>	<b>Unutilised amounts as at December 31, 2021 (HK\$ million)</b>	<b>Utilised amounts during the Reporting Period (HK\$ million)</b>	<b>Unutilised amounts as at December 31, 2022 (HK\$ million)</b>
(a)	Development and operation of the Group’s injectables businesses and aesthetic dentistry and personal care business units	546	546	475	71
(b)	Expansion of the Group’s global sales channels	61	61	–	61
(c)	General working capital	8	8	–	8
<b>Total</b>		<b>615</b>	<b>615</b>	<b>475</b>	<b>140</b>

### Report of Directors

The Board is pleased to present its 2022 annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2022.

### Principal Activities

The Company is principally engaged in the provision of energy-based medical aesthetic treatment systems, with comprehensive in-house capability to design, develop and produce such systems, which often feature its innovative and proprietary technologies. The Company has also entered into the cosmeceuticals segment in 2019 and the aesthetic dentistry and personal care segments in 2021.

Details of the principal activities of the subsidiaries of the Company are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

### Results and Dividends

The results of the Group for the year ended December 31, 2022 are set out in the Consolidated Statement of Profit or Loss on page 61.

The Board has resolved to declare a final dividend of HK\$0.173 (inclusive of tax) per Share for the year ended December 31, 2022 (for the year ended December 31, 2021: HK\$0.157).

### Dividends Policy

The Company has adopted the Dividend Policy. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its Shareholder value. The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to propose, declare and distribute dividends to the Shareholders, subject to the Articles of Association and all applicable laws and regulations and the factors.

The Board shall also take into account the factors of the Group when considering the declaration and payment of dividends, including financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of Shareholders, any restrictions on payment of dividends, profits legally available for distribution, which are defined as the greater of retained earnings or earnings accumulated during the preceding two years (the “**Profits Criteria**”), ability of the Company to pay the Profits Criteria and any other factors that the Board may consider relevant. Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period. The Board will review this Dividend Policy as appropriate from time to time.

### Business Review

The business review of the Group for the Reporting Period is set out in the sections headed “Chief Executive Officer’s Review” on pages 5 to 7 and “Management Discussion and Analysis” on pages 8 to 27, respectively of this annual report. All references herein to other sections or reports in this annual report form part of this Report of the Directors.

### AGM and Closure of Register of Members

The notice of the forthcoming AGM will be published and dispatched to Shareholders of the Company in accordance with the requirements of the Listing Rules and the Articles of Association. The Company will announce the period of closure of register of members in the notice of AGM to be issued.

### Summary Financial Information

A summary of the financial information for the last five financial years, as extracted from the audited financial statements, is set out in the section headed “Financial Summary” in this annual report.

## Bank Borrowings and Other Borrowings

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at December 31, 2022 are set out in note 28 to the financial statements.

## Property, Plant and Equipment

Details of movements in property, plant and equipment of the Company and its subsidiaries during the Reporting Period are set out in note 13 to the financial statements.

## Charge on Assets

As at December 31, 2022, no property, plant and equipment was pledged to banks as loan security (December 31, 2021: Nil).

## Share Capital

Details of movements in the Company's share capital during the Reporting Period are set out in note 31 to the financial statements.

## Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended December 31, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## Distributable Reserves

The amount of the Company's reserves available for distribution as at December 31, 2022, calculated in accordance with Israeli rules and regulations, was US\$135.6 million.

Details of the movements in the respective reserves of the Group and the Company during the Reporting Period are set out in the Consolidated Statement of Changes in Equity to the financial statements.

## Major Customers and Suppliers

During the Reporting Period, the aggregate amount of purchases attributable to the Group's five largest suppliers was less than 35% of total purchases of the Group, and the aggregate amount of revenue attributable to the Group's five largest customers was less than 20% of total revenue of the Group.

The aggregate amount of total purchases attributable to the Group's five largest suppliers was 34.5% of total purchases of the Group. The aggregate amount of total purchases attributable to the Group's largest supplier was 8.7% of total purchases of the Group.

The aggregate amount of turnover attributable to the Group's five largest customers was 18% of total turnover of the Group. The aggregate amount of turnover attributable to the Group's largest customer was 9% of total turnover of the Group.

During the Reporting Period, to the knowledge of the Directors, none of the Directors, their close associates, or Shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the number of issued Shares of the Company) had interests in the five largest suppliers or customers of the Company.

### Directors

The following is the list of Directors during the Reporting Period and up to the date of this annual report (unless otherwise stated).

#### Executive Directors

Mr. Yi LIU (*Chairman*)  
Mr. Lior Moshe DAYAN (*Chief Executive Officer*)

#### Non-executive Directors

Mr. Yifang WU  
Ms. Rongli FENG

#### Independent Non-executive Directors

Mr. Heung Sang Addy FONG  
Mr. Chi Fung Leo CHAN  
Ms. Jenny CHEN  
Mr. Kai Yu Kenneth LIU

In accordance with the Articles of Association, Mr. Lior Moshe DAYAN, Mr. Heung Sang Addy FONG and Mr. Chi Fung Leo CHAN will retire at the forthcoming AGM and being eligible, offer themselves for re-election.

### Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Company are set out on pages 52 to 55 of this annual report.

### Directors' Service Contracts

Each of the Directors has entered into a letter of appointment with the Company, subject to the provision of retirement and rotation of Directors under the Articles of Association.

None of the Directors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### Remuneration Policy

The remuneration policy of the Group is set out in the section headed "Management Discussion and Analysis" on pages 8 to 27 of this annual report.

Details of the remuneration to Directors and chief executive and the five highest paid employees of the Company are set out in notes 8 and 9 to the financial statements.

### **Directors' Interest in Transactions, Arrangements and Contracts of Significance**

Save as disclosed in the sections headed "Related Party Transactions", there is no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in the Reporting Period was a Director or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the Reporting Period or at the end of the Reporting Period.

### **Pension Scheme**

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. There were no forfeited contributions available for the Group to reduce its existing level of contributions to the defined contribution scheme as at 31 December 2022. Contributions to these schemes are expensed as incurred. The Group's pension cost charged to the Statement of profit or loss for the Reporting Period was US\$0.7 million.

### **Management Contract**

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

### **Directors' Rights to Acquire Shares or Debentures**

Except as disclosed in this annual report, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the Reporting Period or at the end of the Reporting Period.

### **Directors' Interest in Competing Business**

Except Mr. Yi LIU (our executive Director and also the director of CML), Mr. Yifang WU and Ms. Rongli FENG (our non-executive Directors and also the directors of CML), none of the Directors is interested in any businesses apart from the Group's business which competes with or is likely to compete, either directly or indirectly, with the Group's business. CML, a subsidiary of Fosun Pharma, acts as agent or distributor in the PRC for a broad range of medical devices (including products relating to the imaging, aesthetics, surgery, dermatology, oncology and dental segments).



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

As at December 31, 2022, 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 of the Listing Rules were as follows:

Name of Director	The company in which the interests are held	The class of shares/debenture	Capacity and nature	Number of shares held	Percentage of shareholding in the relevant class of shares
Yi LIU	Company	Ordinary Shares	Beneficial owner	250,000	0.05%
	Fosun Pharma	A shares	Beneficial owner	46,800	0.00%
	Fosun Pharma	H shares	Beneficial owner	20,000	0.00%
Lior Moshe DAYAN	Company	Ordinary Shares	Beneficial owner	938,500	0.20%
	Fosun International	Ordinary Shares	Beneficial owner	200,000	0.00%
Yifang WU	Fosun Pharma	A shares	Beneficial owner	1,007,100	0.05%
	Fosun Pharma	H shares	Beneficial owner	373,000	0.07%
	Fortune Star (BVI) Limited	Debenture which is freely transferable but not convertible into shares of a corporation	Beneficial owner	739,121	N/A
Rongli FENG	Fosun Pharma	A shares	Beneficial owner	113,500	0.01%

Save as disclosed in the foregoing, as at December 31, 2022, none of the Directors or chief executives 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 December 31, 2022, so far as is known to the Directors, the persons or entities, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company 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) <sup>(1)</sup>	27.25%
Ample Up <sup>(2)</sup>	Beneficial owner	204,592,560 (L)	43.78%
	Interest in controlled corporation	127,318,640(L)	27.25%
		331,911,200 (L)	71.03%
Fosun Industrial <sup>(3)</sup>	Interest in controlled corporation	331,911,200 (L)	71.03%
Fosun Pharma <sup>(4)</sup>	Interest in controlled corporation	331,911,200 (L)	71.03%
Fosun High Tech <sup>(5)</sup>	Interest in controlled corporation	331,911,200 (L)	71.03%
Fosun International <sup>(6)</sup>	Interest in controlled corporation	331,911,200 (L)	71.03%
FHL <sup>(7)</sup>	Interest in controlled corporation	331,911,200 (L)	71.03%
FIHL <sup>(8)</sup>	Interest in controlled corporation	331,911,200 (L)	71.03%
Guangchang GUO <sup>(9)</sup>	Interest in controlled corporation	331,911,200 (L)	71.03%

### 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 331,911,200 Shares which Ample Up is interested in, comprising 204,592,560 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 December 31, 2022, 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% 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.

### Permitted Indemnity

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the directors of the Group.

### Share Scheme

On November 30, 2021, the Group adopted the 2021 RSU Scheme, pursuant to which it may grant the directors of the Company (including executive directors, and non-executive directors, but excluding Independent Non-executive Directors), the directors of the Company's subsidiaries and the employees of the Group, and any other persons who the Board considers, in its absolute discretion, have contributed or will contribute to the Group restricted share units. For details of the 2021 RSU Scheme, please refer to "10. 2021 RSU Scheme" in the Management Discussion and Analysis in this annual report.

### Equity-Linked Agreements

No equity-linked agreements were entered into by the Group during the Reporting Period or subsisted at the end of the Reporting Period.

### Sufficiency of Public Float

Based on the information publicly available to the Company and to the best knowledge of the Directors, during the Reporting Period, the Company has maintained sufficient public float as required by the Listing Rules.

### Pre-Emptive Rights

There are no provisions for pre-emptive rights in the Articles of Association or under the applicable laws of Israel where the Company is incorporated.

### Donations

During the Reporting Period, the Group made no donations.

### Connected Transactions and Continuing Connected Transactions

During the Reporting Period, the Company had the following connected transactions and continuing connected transactions that are not exempt from annual reporting requirement under Chapter 14A of the Listing Rules:

#### Sublicense Agreement

##### *Subject matter*

Fosun Pharma Industrial, a wholly-owned subsidiary of Fosun Pharma, the controlling shareholder of the Company, entered into the Sublicense Agreement and the Amendment to Sublicense Agreement with Sisram Tianjin, a wholly-owned subsidiary of the Company on October 26, 2022 and December 15, 2022, respectively, pursuant to which Sisram Tianjin agreed to sublicense from Fosun Pharma Industrial the relevant know-hows and patents of the Licensed Product, so as to, among other things, import, use, sell or commercialize the Licensed Product in the Fields in the Territory. The Sublicense Agreement takes effect from February 9, 2023 and shall continue until the date on which all of Sisram Tianjin's payment obligations under the Sublicense Agreement have been performed or have expired.



### Consideration

Sisram Tianjin is expected to make the following payments:

- (1) Upfront Payment: an upfront payment of US\$52.25 million (or US\$55.39 million, tax inclusive) (the “**Upfront Payment**”) within 30 Business Days after the date of the Sublicense Agreement.
- (2) One-off Regulatory Milestone Payments: the milestone payments in the amount of US\$22 million (or US\$23.32 million, tax inclusive) upon the research and development of the Licensed Product obtaining BLA for the aesthetic indications from NMPA and FDA, respectively (the “**Regulatory Milestone Payments**”).
- (3) One-off Sales Milestone Payments: the sales milestone payments in the aggregate amount of up to US\$172.5 million upon the sales of the Licensed Product achieving certain milestones.
- (4) Royalty Payments: royalty payments will be made as follows (the “**Royalty Payments**”):

Range of Annual Net Sales	Royalty Rate
On that portion which is less than US\$100 million	16%
On that portion which is greater than or equal to US\$100 million but less than US\$300 million	18%
On that portion which is greater than or equal to US\$300 million but less than US\$500 million	20%
On that portion which is greater than or equal to US\$500 million	22%

The Royalty Payments shall continue until the latest of: (i) the expiration of the last valid claim (including any patent term adjustments or extensions) within the relevant patents of the Head Licensor with respect to the Licensed Product that covers the Licensed Product (including composition of matter, method of use or making) in the Territory; (ii) the expiration of all regulatory exclusivity for the Licensed Product in the Territory; (iii) the first commercial sale of a Biosimilar of the Licensed Product in the Territory; and (iv) 15 years after the first commercial sale of the Licensed Product in the Territory.

### Listing Rules Requirements

As Fosun Pharma Industrial is a wholly-owned subsidiary of Fosun Pharma and Fosun Pharma is a controlling shareholder of the Company, therefore, Fosun Pharma Industrial is a connected person of the Company by virtue of being an associate of the Company’s connected person. Accordingly, (1) the entering into of the Sublicense Agreement and the proposed payments of the Upfront Payment, the Regulatory Milestone Payments and the Sales Milestone Payments would constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules; and (2) the payment of the Royalty Payments would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

### **Waivers**

With respect to the payment of the Royalty Payments which constitutes a continuing connected transaction under Chapter 14A of the Listing Rules, the Company has applied for, and the Stock Exchange has granted to the Company, (i) a waiver from strict compliance with the requirement under Rule 14A.53 to set monetary annual caps, so as to allow the Company to use the formula set out in “Consideration – (4) Royalty Payments” above as the annual caps for the Royalty Payments during the term of the Sublicense Agreement; and (ii) a waiver from strict compliance with Rule 14A.52 to allow the term of the Sublicense Agreement to be for an unspecified term.

These waivers have been granted subject to the following conditions:

- (1) the Company will comply with the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules if there are any material changes to the terms of the Sublicense Agreement;
- (2) the Company’s board (including the Independent Non-executive Directors) will ensure that the relevant transactions are undertaken in accordance with the terms of the Sublicense Agreement, and comply with the applicable Listing Rule requirements;
- (3) the Independent Non-executive Directors will review the transactions under the Sublicense Agreement on an annual basis and confirm in the Company’s annual reports the matters set out in Rule 14A.55. The auditors of the Company will also report on the same transactions and issue a letter to the board of directors confirming the matters set out in Rule 14A.56;

- (4) the Company will re-comply with Chapter 14A of the Rules in setting the annual caps for the royalty payments under the Sublicense Agreement when the Licensed Product is commercialized; and
- (5) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of waiver, the Company will take immediate steps to ensure compliance with such new requirements.

Further details of the Sublicense are set out in the circular of the Company dated December 23, 2022.

### **Transaction Amount**

As of the date of this report, the BLA for the aesthetic indications from NMPA has not been obtained. Therefore, there are no annual net sales of the Licensed Product and no royalty payment has been made by Sisram Tianjin to Fosun Pharma Industrial for the year ended 31 December 2022.

### **Confirmation of Independent Non-executive Directors**

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that the above continuing connected transactions:

- (i) have been entered into in the ordinary and usual course of business of the Group;
- (ii) have been entered into on normal commercial terms or better; and
- (iii) have been entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

## Report of the Directors

Save as disclosed in this annual report, during the year ended December 31, 2022 and up to the Latest Practicable Date, the Company had no connected transactions or continuing connected transactions which are required to be disclosed in accordance with Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

### Related Party Transactions

During the Reporting Period, the Group entered into certain transactions with parties regarded as “related parties” under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 36 to the financial statements. The connected transactions and continuing connected transactions of the Company disclosed herein constitute related party transactions set out in note 36 to the financial statements. All other related party transactions as described in note 36 to the financial statements do not fall under the definition of “continuing connected transaction” or “connected transaction” under the Listing Rules. The Company has complied with all disclosure requirements under Chapter 14A of the Listing Rules during the Reporting Period.

### Non-competition Undertaking

The Company has entered into a non-compete deed dated August 30, 2017 with Fosun Pharma to ensure a clear delineation between the respective businesses of the Group and the Remaining Fosun Pharma Group with effect from the Listing Date (the “**Non-Compete Deed**”).

Fosun Pharma has provided the Company with an annual confirmation regarding its compliance with the terms of the Non-Compete Deed. The Independent Non-executive Directors have performed an annual review and confirmed that they are not aware of any circumstances which indicate that Fosun Pharma is not in compliance with non-compete undertakings given by it in the Non-Compete Deed.

### Contract of Significance

Save as disclosed in this annual report, at no time during the Reporting Period had the Company or any of its subsidiaries entered into any contract of significance with the Controlling Shareholders or any of their subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholders or any of their subsidiaries to the Company or any of its subsidiaries.

### Subsequent Events

The final approval for the sublicense agreement of RT002 between Sisram Tianjin and Fosun Industrial has been granted by the extraordinary general meeting of the Company on February 9, 2023.

### Compliance with Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the Reporting Period, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

### Environmental Policies and Performance

The Company is committed to the sustainable development of the environment and the society. In recognition of the potential climate impact due to manufacturing of the Company’s products, the Company strives to enhance the environmental performance of its products manufacturing and development through eco-friendly operational measures as well as supporting a number of external charters with regard to energy efficiency and carbon reduction. In addition, during the Reporting Period, the Group had continually increased investment in upgrading its technology, improved production process. The Group constantly strengthened environment protection and optimized the production process for the purposes of energy saving, emission reduction and environment protection. The Group emphasized harmonious development with nature to protect the sustainable development of the environment.

Further information on the Company's environmental policies and performance is set out in the Environmental, Social and Governance Report which is published on the same date of this report.

### Significant Legal Proceedings

For the year ended December 31, 2022, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

### Relationship with Stakeholders

The Company recognises that its employees, customers and business partners are keys to its sustainability journey. The Company has been striving to achieve corporate sustainability through engaging its employees, providing quality services for its customers, collaborating with business partners and supporting our community.

The Company places significant emphasis on human capital. The Company provides a fair workplace, promoting non-discrimination and diversity to its staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. The Company administers its employee health and safety management system and ensures the adoption of the principles across the Group. The Company provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organizations.

To enhance customer satisfaction and promote a customer-oriented culture within the Company, the Company takes "Customer First" as one of its core values. It values the feedback from customers through daily communication, regular meeting and etc. It has also established the mechanism about customer service, support and complaints. When dealing with a customer complaint, the Company treats it as an opportunity to improve its relationship with the customer, addressing the concern in a timely manner and in accordance with international standards.

The Company believes that its suppliers are equally important in driving quality delivery of its products. It proactively collaborates with its business partners (including suppliers and contractors) to deliver quality sustainable products and services.

### Auditors

The financial statements of the Group have been audited by Ernst & Young.

A resolution to re-appoint Ernst & Young as the auditors of the Company and to authorize the Directors to fix its remuneration will be proposed at the forthcoming AGM.

On Behalf of the Board

**Yi LIU**

*Chairman*

Shanghai, PRC, March 21, 2023

The Board hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2022 (the “**Reporting Period**”).

### **CORPORATE GOVERNANCE PRACTICES**

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company’s corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, the Company has complied with all the principles and code provisions of the CG Code for the Reporting Period.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board’s ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

### **MODEL 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 own code of conduct regarding Directors’ securities transactions.

Specific enquiry has been made of all the Directors and the Directors have fully complied with the relevant requirements set out in its own code of conduct throughout the Reporting Period.

### **BOARD OF DIRECTORS**

The Company is headed by an effective Board which oversees the Group’s businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

#### **Board Composition**

The Board currently comprises the following Directors:

##### ***Executive Directors***

Mr. Yi LIU (*Chairman*)  
Mr. Lior Moshe DAYAN (*Chief Executive Officer*)

##### ***Non-executive Directors***

Mr. Yifang WU  
Ms. Rongli FENG

##### ***Independent Non-executive Directors***

Mr. Heung Sang Addy FONG (*also External Director*)  
Mr. Chi Fung Leo CHAN (*also External Director*)  
Ms. Jenny CHEN  
Mr. Kai Yu Kenneth LIU

On May 30, 2022, Mr. Yao WANG resigned as a non-executive Director. On January 1, 2023, Mr. Guojun BU resigned as an executive Director.

The biographical information of the Directors is set out in the section headed “Biographical Details of Directors and Senior Management” on pages 52 to 55 of this annual report.

None of the members of the Board is related to one another.



### Chairman and Chief Executive Officer

The positions of Chairman and chief executive officer are held by Mr. Yi LIU and Mr. Lior Moshe DAYAN respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and daily management and operations generally.

### Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-Executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

## MECHANISMS TO ENSURE INDEPENDENT VIEWS AND INPUT AVAILABLE TO THE BOARD

The Company has also established the following mechanisms to ensure independent views and input are available to the Board:

- A sufficient number of Independent Non-executive Directors representing more than one-third of the Board have been appointed and all of them continue to devote adequate time contribution to the Company;
- All Independent Non-Executive Directors are required to confirm in writing annually their compliance of independence requirements as set out under Rule 3.13 of the Listing Rules;

- Annual meeting between the Chairman and all Independent Non-executive Directors without presence of other Directors providing an effective platform for the Chairman to listen to independent views on various issues concerning the Company;
- Independent professional advice would be provided to Independent Non-executive Directors upon reasonable request to assist them to perform their duties to the Company;
- Non-executive Directors receive fixed fee(s) for their role as members of the Board and Board Committee(s) as appropriate;
- Non-executive Directors' independence is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration;
- All Directors are encouraged to express freely their independent views and constructive challenges during the Board/Board Committees meetings; and
- An Independent Board Committee consisting of independent Non-Executive Directors is established by the Board as and when required to manage any connected/related party transactions.

The Board will conduct annual review of the mechanisms above. During the Reporting Period, the Board has reviewed the mechanisms above and confirmed that they effectively ensure the Board has access to independent opinions and views.

### Appointment and Re-election of Directors

The non-executive Directors (including Independent Non-executive Directors) are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

The Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the next Annual General Meeting after appointment.

Under the Articles of Association, the Directors (other than any external Directors elected pursuant to the Israeli Companies Law) shall be divided by the Board into three groups, designated as group I, group II and group III. Each group of Directors shall consist, as nearly as possible as determined by the Board, of one-third of the total number of Directors constituting the entire Board (excluding the external Directors). The first term of office of the group I Directors has expired at the Annual General Meeting occurred in 2018; the first term of office of the group II Directors has expired at the Annual General Meeting occurred in 2019; and the first term of the group III Directors has expired at the Annual General Meeting occurred in 2020. Any Director whose term has expired (upon the expiring of the term of such Director's group) may be re-elected to the Board. At each Annual General Meeting, election or re-election of Directors following the expiration of the term of office of the Directors of a certain group, will be for a term of office that expires on the third Annual General Meeting next succeeding such election or re-election, such that from 2018 and forward, each year the term of office of only one group of Directors will expire (i.e., the term of office of group I will initially expire at the Annual General Meeting held in 2018 and thereafter at 2021, 2024 etc.).

In accordance with Articles 41(c) and (d) of the Articles of Association, Mr. Lior Moshe DAYAN being the group III Director, will retire and being eligible, offer himself for re-election at the forthcoming Annual General Meeting for a term of office expiring on the third Annual General Meeting next succeeding such re-election.

In accordance with the Israeli Companies Law, Mr. Heung Sang Addy FONG and Mr. Chi Fung Leo CHAN being the external Directors, will retire and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting for a term of office of three years.

### **Responsibilities, Accountabilities and Contributions of the Board and Management**

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

## CPD of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate CPD to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The record of CPD relating to director's duties and regulatory and business development that have been received by the Directors for the Reporting Period:

Name of Directors	Type of Training <sup>Note</sup>
<b>Executive Directors</b>	
Mr. Yi LIU	A and B
Mr. Lior Moshe DAYAN	A and B
Mr. Guojun BU <sup>(2)</sup>	A and B
<b>Non-executive Directors</b>	
Mr. Yifang WU	A and B
Mr. Yao WANG <sup>(1)</sup>	B
Ms. Rongli FENG	A and B
<b>Independent Non-executive Directors</b>	
Mr. Heung Sang Addy FONG	A and B
Mr. Chi Fung Leo CHAN	A and B
Ms. Jenny CHEN	A and B
Mr. Kai Yu Kenneth LIU	A and B

(1) Mr. Yao WANG resigned as a non-executive Director with effect from May 30, 2022.

(2) Mr. Guojun BU resigned as an executive Director with effect from January 1, 2023.

Note:

### Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 193.

### Audit Committee

The Audit Committee consists of three members, namely Mr. Heung Sang Addy FONG, Mr. Chi Fung Leo CHAN and Ms. Jenny CHEN. Mr. Heung Sang Addy FONG is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review, in respect of the year ended December 31, 2022, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

### Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Chi Fung Leo CHAN, Mr. Yi LIU and Mr. Heung Sang Addy FONG. Mr. Chi Fung Leo CHAN is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, and operating the Company's share award scheme as they apply to Directors and senior management and recommending to the Shareholders any grants of awards to be made to Directors and/or senior management.

The Remuneration Committee met twice to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters. The Company does not have any directors' service contracts requiring approval within the Reporting Period.

Details of the remuneration of the Directors and chief executive are set out in note 8 to the financial statements.

### **Nomination Committee**

The Nomination Committee consists of three members, namely Mr. Yi LIU, Mr. Heung Sang Addy FONG and Mr. Chi Fung Leo CHAN. Mr. Yi LIU is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met twice to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

### **Board Diversity Policy**

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Nomination Committee will review the implementation and effectiveness of the Board Diversity Policy at least on an annual basis.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

As at the date of this report, the Board of the Company is comprised of eight members, including two executive Directors, two non-executive Directors and four independent non-executive Directors, where independent non-executive directors account for 50%. About the age and gender diversity, the Board consists of six male members and two female members with four Directors of age 41-50 years old, three Directors of age 51-60 years old and one Director of over 60 years old. The Nomination Committee has reviewed the membership, structure and composition of the Board, and consider that the structure of the Board has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business, and allowed opinion from different gender and background be heard and discussed.

In terms of gender diversity in the workforce (including senior management), as at 31 December 2022, the Group's workforce (including senior management) has more than 280 female, among which, around 19 hold the Group's senior management roles.

The Board had targeted to achieve and had achieved at least 25% of female Directors, 29% of female senior management and 37% of female employees of the Group. Therefore, the Board considers that the above current gender diversity on the Board and in the workforce (including senior management) has been achieved with reference to the current circumstances of the Company.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report in this report.

In considering the Board's succession and to ensure diversity at the Board level, the Nomination Committee will engage independent professional search firm(s) to help identify suitable candidates for consideration as Non-Executive Directors as and when appropriate. The Board will continue to take opportunities to increase the proportion of female directors over time as and when suitable candidates are identified.

### **Director Nomination Policy**

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- character and integrity;
- qualifications including professional qualifications (such as accounting and financial expertise), skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- requirement for the Board to have two external Directors in accordance with the Israeli Companies Law and whether the candidate would meet the stringent standards of independence with reference to the Israeli Companies Law and the articles of association of the Company;

- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings as below:

(i) Appointment of New Directors

- The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at a general meeting.

(ii) Re-election of Directors at General Meeting

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance by such Director on the Board.
- The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.
- The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at a general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate shall be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

## Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and CDP of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the Reporting Period is set out in the table below:

Name of Directors	Attendance/Number of Meetings					Annual General Meeting	General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee			
Mr. Yi LIU	4/4		2/2	2/2		1/1	N/A
Mr. Lior Moshe DAYAN	4/4					1/1	N/A
Mr. Guojun BU <sup>(2)</sup>	4/4					1/1	N/A
Mr. Yifang WU	4/4					1/1	N/A
Mr. Yao WANG <sup>(1)</sup>	1/1					N/A	N/A
Ms. Rongli FENG	4/4					1/1	N/A
Mr. Heung Sang Addy FONG	4/4	2/2	2/2	2/2		1/1	N/A
Mr. Chi Fung Leo CHAN	4/4	2/2	2/2	2/2		1/1	N/A
Ms. Jenny CHEN	4/4	2/2				1/1	N/A
Mr. Kai Yu Kenneth LIU	4/4					1/1	N/A

(1) Mr. Yao WANG resigned as a non-executive Director with effect from May 30, 2022.

(2) Mr. Guojun BU resigned as an executive Director with effect from January 1, 2023.

Apart from regular Board meetings, the Chairman also held meeting with the Independent Non-executive Directors without the presence of other Directors during the Reporting Period.

Most Independent Non-executive Directors have attended general meeting to gain and develop a balanced understanding of the view of Shareholders.



## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. Highlights of the Company's internal control and risk management systems include the following:

- The Company's risk management and internal control systems have been developed so as to allow the Company to maintain the highest standard corporate governance and to identify and mitigate any potential risks.
- The Company has appointed an internal auditor in accordance with the Israeli law requirements. The role of the internal auditor is to examine, among other things, our compliance with applicable law and orderly business procedures. The Audit Committee will also oversee the activities and to assess the performance of the internal auditor as well as review the internal auditor's work plan. The internal auditor will report its findings to the Audit Committee.
- The senior management of the Company conducts internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with relevant staff of the Company, assessed the likelihood of risk occurrence, monitor the risk management progress, and reports to the Audit Committee and the Board on all findings and the effectiveness of the systems.
- In addition, the Company has adopted a Corporate Governance Manual to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions, notifiable transactions, inside information and securities transactions by the Directors. The Company has designated team to monitor its compliance with Listing Rules and other applicable laws and regulations.
- The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Such policy was set out in the Corporate Governance Manual adopted by the Company. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting.



The Company has in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the compliance officer or the audit committee, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

During the Reporting Period, the Company held one anti-corruption training and briefing to all employees. There were no non-compliance cases in relation to bribery and corruption.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 56 to 60.

## AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors in respect of audit services and non-audit services for the Reporting Period amounted to US\$411,000 and US\$113,000, respectively.

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the Reporting Period is set out below:

Service Category	Fees Paid/Payable
	<i>US\$'000</i>
Audit Services	411
Non-audit Services	113
– Tax Services	113
	524

## COMPANY SECRETARY

The Company has engaged Tricor Services Limited, external service provider, and Ms. Mei Ha Wendy KAM has been appointed as the company secretary of the Company. Its primary contact person at the Company is Ms. Qianli FANG.

On January 10, 2022, Ms. Mei Ha Wendy KAM resigned as company secretary of the Company and Ms. Qianli FANG was appointed to fill the vacancy left by Ms. Mei Ha Wendy KAM.

During the Reporting Period, Ms. Qianli FANG took no less than 15 hours of relevant professional training to update her respective skills and knowledge.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings of the Company, including the election of individual Director. All resolutions put forward at general meetings of the Company will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting of the Company.

### Convening an Extraordinary General Meeting

Pursuant to Article 26 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting of the Company in Hong Kong or elsewhere, if permitted under applicable law or the Listing Rules, and at such time as may be determined by the Board, and shall be obligated to do so upon a requisition in writing in accordance with Sections 63(b)(1) or (2) and 63(c) of the Israeli Companies Law. Moreover, where the Israeli Companies Law refers to the right of a Shareholder to convene an extraordinary general meeting of the Company, such provisions will apply to any public investor, as if such person were a Shareholder as defined herein, mutatis mutandis.

## Putting Forward Proposals at General Meetings

Pursuant to Article 27(a) of the Articles of Association, a Shareholder (including two or more Shareholders that are acting in concert) holding one percent or more of the outstanding voting rights in the Company (a "Proposing Shareholder") may request, subject to Section 66(b) of the Israeli Companies Law and the regulations promulgated thereunder, that the Board include a proposal on the agenda of a general meeting of the Company to be held in the future, provided that the Proposing Shareholder gives timely notice of such request in writing (a "Proposal Request") to the Company and the Proposal Request complies with all the requirements of the Articles of Association and applicable law and the Listing Rules. To be considered timely, a Proposal Request must be delivered, either in person or by certified mail, postage prepaid, and received at the principal executive office of the Company, by the applicable deadline under the Israeli Companies Law as amended from time to time, namely, no later than seven days from the notice of a general meeting of the Company whose agenda includes items that require a 35-day prior notice, and no later than three days from the notice of any other general meeting of the Company.

## Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

## Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

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

Email: [info@sisram-medical.com](mailto:info@sisram-medical.com)

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at 972-4-6275357 for any assistance.



## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through Annual General Meetings and other general meetings of the Company. At the Annual General Meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the Reporting Period, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

### Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The policy aims to ensure that the Shareholders, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

Under the policy, information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website. Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times, and the Board shall maintain an on-going dialogue with Shareholders and the investment community.

The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the Reporting Period and the results were satisfactory.

### EXECUTIVE DIRECTORS

**Mr. Yi LIU (劉毅)**, aged 47, was appointed as the Chairman and an executive Director on April 14, 2016.

Mr. Liu joined the Group in April 2016 and has served as a Director since then. Mr. Liu was the chief technology officer of the medical devices division of Fosun Pharma from November 2015 to December 2016, vice president of Fosun Pharma from January 2017 to December 2021, and has been a senior vice president of Fosun Pharma since January 2021.

Prior to joining the Fosun Pharma Group, Mr. Liu served as a civil servant at the State Food and Drug Administration of China from July 2000 to August 2004. He served as deputy head of the Beijing Medical Equipment Laboratory\* (北京市醫療器械檢驗所) from September 2004 to May 2007 and was responsible for the quality system management and regulatory matters with the State Food and Drug Administration of China. He served as the head of that laboratory from May 2007 to November 2015 and was responsible for the overall management of the institute, including strategic planning, government relations and regulatory matters.

Mr. Liu obtained a bachelor's degree of Engineering from Beijing Institute of Technology (北京理工大學) in the PRC in July 1998. He graduated from the Chinese Academy of Governance (國家行政學院) in the PRC in July 2000 and obtained a master's degree in Management from Peking University (北京大學) in the PRC in January 2006. He received his ph. D. degree in biomedical engineering from Beihang University (北京航空航天大學) in June 2021.

**Mr. Lior Moshe DAYAN**, aged 53, was appointed as chief executive officer of the Company and an executive Director on June 6, 2017. Mr. Dayan has been the senior vice president of global sales and managing director of the German subsidiary of the Group since April 2011.

He is responsible for the direction and management of all sales, marketing and business development operations, including market competitiveness, pricing, compensation, distribution and sales channel strategy. He was the senior director in charge of the Asia-Pacific markets of Alma Lasers from September 2008 to December 2010 and the vice president of sales and marketing of Alma Lasers European and APAC markets from November 2010 to April 2011.

Mr. Dayan has 20 years of experience in the laser industry with operational, logistic, financial and sales expertise, 11 of which were in Asia. Prior to joining the Group, he served in several managing positions at Lumenis Ltd. from September 2001 to September 2008, including sales director of the European and West African markets, sales and marketing regional manager of the countries in South East Asia, director of supply chain and financial director in the medical business unit. Prior to his time in the medical devices industry, Mr. Dayan held several senior financial positions in the hi-tech telecommunications industry from 1996 until 2001, when he acted as the cost of goods and profit controller of ECI Telecom Israel from 1996 to 1998 and the director of cost of goods and inventory control of ECI Telecom Israel from 1998 to 2001.

Mr. Dayan obtained a bachelor's degree in Economics and Logistics from Bar Ilan University in Israel in June 1997 and obtained a Master of Business and Administration from the Israeli branch of Manchester University in November 1999.

### NON-EXECUTIVE DIRECTORS

**Mr. Yifang WU (吳以芳)**, aged 53, was appointed as a non-executive Director on October 17, 2016.

Mr. Wu joined the Fosun Pharma Group in April 2004 and is currently the executive director and chairman of Fosun Pharma. Mr. Wu has ceased to be the chief executive officer of Fosun Pharma with effect from June 2022. He is also the non-executive director of Shanghai Henlius Biotech, Inc.\* (上海復宏漢霖生物技術股份有限公司) (a company listed on The Stock Exchange of Hong Kong Limited (stock code: 2696)). He is director of Gland Pharma Limited (a company listed on the Bombay Stock Exchange and the National Stock Exchange of India, stock code: GLAND).

## Biographical Details of Directors and Senior Management

Mr. Wu was a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory\* (徐州生物化學製藥廠), now known as Jiangsu Wanbang Biopharmaceutical Company Limited\* (江蘇萬邦生化醫藥集團有限責任公司) (“Jiangsu Wanbang”), from June 1987 to April 1997, a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant\* (徐州(萬邦)生物化學製藥廠), now known as Jiangsu Wanbang, from April 1997 to December 1998, the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd.\* (徐州萬邦生化製藥有限公司), now known as Jiangsu Wanbang, and a deputy general manager of Jiangsu Wanbang from December 1998 to March 2007 and the president of Jiangsu Wanbang from March 2007 to April 2011 and has been the chairman and chief executive officer of Jiangsu Wanbang since April 2011. Mr Wu was the chairman of the supervisory committee of Sinopharm Group Co. Ltd.\* (Stock Code: 01099) (國藥控股股份有限公司) from September 2020 to June 2021.

Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) in the PRC majoring in international commerce in 1996 and obtained a master degree in Business Administration from Saint Joseph’s University in the United States in 2005.

**Ms. FENG Rongli (馮蓉麗)**, aged 46, was appointed as the non-executive director on 20 August 2020. She is currently the senior vice president of Fosun Pharma. She was the vice president of Fosun Pharma from April 2020 to March 2021, and the deputy chief human resources officer of Fosun High Tech and the managing director of the human resources of Shanghai Fosun Venture Capital Investment Management Co., Ltd.\* (上海復星創業投資管理有限公司) from July 2018 to April 2020. Ms. FENG is also a supervisor of Shanghai Henlius Biotech, Inc.\* (上海復宏漢霖生物技術股份有限公司) (the shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 2696)) and a non-executive director of Sinopharm Group Co. Ltd.\* (國藥控股股份有限公司) (the shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code:1099)). Previously, Ms. FENG served as a human resources supervisor of Sealed Air Packaging (Shanghai) Co., Ltd.\* (希悅爾包裝(上海)有限公司) from July 1996 to April 2000, a human resources manager of Grundfos Pumps (Shanghai) Co., Ltd.\* (格蘭富水泵(上海)有限公司) from April 2000 to November 2002, the Asia-Pacific human resources manager of Emerson Electric (China) Investment Co., Ltd.\*

(艾默生電氣(中國)投資有限公司) from November 2002 to July 2006, the China human resources planning manager of Dow Chemical (China) Co., Ltd.\* (陶氏化學(中國)有限公司) from August 2006 to November 2009, the director of human resources of Shanghai Roche Pharmaceutical Co., Ltd.\* (上海羅氏製藥有限公司) from November 2009 to January 2015, and the senior director of human resources at F. Hoffmann-La Roche AG from February 2015 to July 2018.

Ms. FENG graduated from Shanghai University in China with a major in Microcomputer Application in July 1996. In February 2002, she obtained a master’s degree in Business Administration from Columbia Southern University in the United States through long distance learning.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Heung Sang Addy FONG (方香生)**, aged 63, was appointed as an independent non-executive Director on August 30, 2017.

Mr. Fong has more than 24 years of audit, financial and capital market experiences. Mr. Fong has been appointed as an independent non-executive director of Borqs Technologies, Inc. (stock code: BRQS.NASDAQ) since April 2019. Besides, Mr. Fong has been the chief financial officer of GMAX Biopharm International Limited since April 2020. Between October 2017 to March 2020, he was the chief financial officer of Adlai Nortye Biopharma Co., Ltd.. Before that he was a managing director of Bonus Eventus Securities Limited since April 2015 and previously, he served as chief financial officer of China Harmony Auto Holding Limited (stock code: 3836.HK) from October 2012 to March 2015, chief financial officer of Chendu CYPKO Biotechnology Co., Ltd. from August 2011 to October 2012, director and chief financial officer of China Electric Motor, Inc. (delisted from NASDAQ in June 2011) from January 2010 to May 2011, director and chief financial officer of Apollo Solar Energy Inc. (stock code: ASOE.PK) from February 2009 to March 2010 and the executive vice president of the corporate development of Fuqi International, Inc. (delisted from NASDAQ in March 2011) from December 2006 to January 2009.

## Biographical Details of Directors and Senior Management

In addition, Mr. Fong also acted as an independent director of various listed companies. He was an independent director of Universal Technologies Holdings Ltd (stock code: 1026.HK) from July 2006 to June 2013, an independent director of China Housing and Land Development, Inc. (delisted from NASDAQ in March 2016) from September 2010 to April 2014, an independent director and chairman of the audit committee of Kandi Technologies Group Inc (stock code: KNDI.NASDAQ) from July 2007 to June 2011, and an independent director and chairman of the audit committee of Diguang International Development Co., Ltd. (stock code: DGNG.PK) from August 2007 to April 2014.

Mr. Fong obtained a master's degree in Business Administration from the University of Nevada, Reno, in the United States in December 1989 and a master's degree in science from the University of Illinois, Champaign, in the United States in June 1993. He is a member of the American Institute of Certified Public Accountants, the Hong Kong Institute of Certified Public Accountants and the State Board of Accountancy of Washington State.

**Mr. Chi Fung Leo CHAN (陳志峰)**, aged 44, was appointed as an independent non-executive Director on August 30, 2017.

Mr. Chan has been appointed as an independent non-executive director and chairman of audit committee of Jinke Smart Services Group Co., Ltd. (stock code: 9666.HK) since October 2020. Besides, Mr. Chan has been appointed as an independent non-executive director, chairman of audit committee, a member of nomination committee and remuneration committee of Ziyuanyuan Holdings Group Limited (stock code: 8223.HK) since June 2018. He also has been the managing director of Red Solar Capital Limited since October 2017. Previously, he served as the managing director of LY Capital Limited from May 2016 to October 2017. He also served as deputy managing director of V Baron Global Financial Services Limited from May 2015 to April 2016, director of the corporate finance team of CITIC Securities International in Hong Kong from December 2011 to April 2015, manager of the consumer

team and corporate financing team of BNP Paribas in Hong Kong from August 2007 to December 2011, associate of the corporate financing team of CCB International Capital Limited in Hong Kong from July 2006 to July 2007, the officer of corporate financing team of Kingsway Group in Hong Kong from January 2005 to June 2006 and staff accountant of the audit group of Ernst & Young Hong Kong from September 2001 to March 2004, respectively.

Mr. Chan obtained a bachelor of business administration with a major in Accounting from the Hong Kong University of Science and Technology in Hong Kong in November 2001. Mr. Chan was admitted as a member of the Hong Kong Institute of Certified Public Accountants in October 2005.

**Ms. Jenny CHEN (陳怡芳)**, aged 43, was appointed as an independent non-executive Director on August 30, 2017.

Ms. Chen has more than 19 years' experience in the legal profession. She co-founded CFN Lawyers, a Hong Kong law firm in association with Broad & Bright in January 2013 and is currently a partner of the firm. Prior to that, she worked as a corporate associate in Maples and Calder (Hong Kong) LLP from January 2012 to January 2013, an associate general counsel of American International Assurance Company, Limited from September 2009 to May 2011, and a corporate associate in DLA Piper Hong Kong from July 2006 to September 2009. She also worked at Woo Kwan Lee & Lo from July 2002 to June 2006 with her last position as an assistant solicitor.

Ms. Chen obtained her LL.B degree from the Law School of the University of Hong Kong in November 2001 and completed her Postgraduate Certificate in Laws (PCLL) at the same university in June 2002.

Ms. Chen was admitted to practice as a solicitor in Hong Kong in September 2004 and a solicitor in England and Wales in September 2005, respectively.



**Mr. Kai Yu Kenneth LIU (廖啟宇)**, aged 53, was appointed as an independent non-executive Director on August 30, 2017.

Mr. Liu has been appointed as an independent non-executive director of Fourace Industries Group Holdings Limited (stock code: 1455.HK) since August 2020 and has been appointed as an independent non-executive director of Hangzhou Tigermed Consulting Co., Ltd. (stock code: 300347.SZ and 3347.HK) since April 2020. He has also been appointed as an independent non-executive director of Tianli Education International Holdings Limited (stock code: 1773.HK) since June 2018. Besides, Mr. Liu worked with Hong Kong Exchanges and Clearing Limited (stock code: 388.HK) from June 2004 to October 2016, in his last position as assistant vice president in IPO Transactions, Listing & Regulatory Affairs Division. Prior to that, he worked with VC CEF Capital Limited (now known as VC Capital Limited) from September 2000 to May 2003, in his last position as an assistant manager in the corporate finance department. He also worked as an audit officer in the internal audit department of Kowloon-Canton Railway Corporation from January 2000 to September 2000, an assistant manager of the audit and control division of the Hong Kong branch of Banque Nationale de Paris from August 1996 to September 1997, an accountant of Ernst & Young from August 1994 to May 1996 and a junior accountant in the audit department of Kwan Wong Tan & Fong (merged with Deloitte Touche Tohmatsu in 1997) from May 1994 to August 1994.

Mr. Liu obtained a bachelor of engineering degree in mechanical engineering from the Imperial College of Science, Technology and Medicine of the University of London in August 1991 and a master of business administration degree in international banking and finance from the University of Birmingham in December 1998. Mr. Liu has been a member of the HKICPA since July 1999 and a fellow of the Association of Chartered Certified Accountants since April 2004.

## SENIOR MANAGEMENT OF THE GROUP

### Company Secretary

**Ms. Mei Ha Wendy KAM (甘美霞)**, aged 55, was appointed as the company secretary of the Company on December 18, 2019. Ms. Kam resigned as the company secretary on January 10, 2022.

Ms. Kam is an executive director of Corporate Services of Tricor Services Limited. She has over 23 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Kam is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (“HKCGI”) and The Chartered Governance Institute (formerly “The Institute of Chartered Secretaries and Administration”). She is a holder of the Practitioner’s Endorsement from HKCGI. Ms. Kam graduated from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong).

**Ms. Qianli FANG (方前厲)**, aged 29, was appointed as the company secretary of the Company on January 10, 2022.

Ms. Fang joined the Company in May 2019 and has successively acted as the secretary to the Board of the Company, director of mergers & acquisitions and business development of the Company and secretary to the board of directors of Alma Lasers Ltd., the principal subsidiary of the Company. Ms. Fang obtained her Bachelor’s degree in Management International Accounting from Ningbo University, PRC in June 2014 and a Master of Business Administration degree from Bar Ilan University, Israel, in July 2016. Ms. Fang is also a Chartered Professional Accountant, Certified General Accountant of the Chartered Professional Accountants of British Columbia in Canada. Ms. Fang has been the secretary to the Board since 2019 and has been in charge of the Company’s corporate governance, corporate compliance, project and strategic planning, corporate affairs and internal control functions. Prior to joining the Company, Ms. Fang was employed as a Chinese clients executive by Deloitte Israel under its Financial Advisory Practice from February 2016 to April 2019.





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**To the shareholders of Sisram Medical Ltd**  
(Incorporated in Israel with limited liability)

### Opinion

We have audited the consolidated financial statements of Sisram Medical Ltd (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 61 to 67, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### Key audit matter

#### *Impairment of goodwill*

The carrying value of goodwill in the consolidated financial statements amounted to US\$111,183,000 as at December 31, 2022. In accordance with IFRSs, the Company is required to perform an impairment test for goodwill at least annually. The impairment test is based on the recoverable amount of the cash-generating unit to which the goodwill is allocated. The recoverable amount of the cash-generating unit is the higher of its fair value less costs of disposal and its value in use using cash flow projections based on a financial budget covering a five-year period. This matter is significant to our audit because the impairment testing process was complex and involved significant management judgements.

The disclosures about the impairment of goodwill are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates" and note 15 "Goodwill" to the consolidated financial statements, which specifically explain the key assumptions management used for the calculation of the recoverable amount.

### How our audit addressed the key audit matter

We obtained an understanding of the internal control over the process of the impairment test of goodwill, performed walkthroughs and tests of controls, and assessed the design and operating effectiveness of the relevant internal controls.

Our substantive audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by management, in particular, the discount rate and the long-term growth rate. We paid specific attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the business development plan of the cash-generating unit.

We also assessed the relevant disclosures included in the financial statements.

### Key audit matter

#### *Impairment of indefinite-life intangible assets*

The carrying value of indefinite-life intangible assets (trademarks) in the consolidated financial statements amounted to US\$24,493,000 as at December 31, 2022. In accordance with IFRSs, the Group is required to perform an impairment test for indefinite-life intangible assets at least on an annual basis. The impairment test is based on the recoverable amount of the individual asset, which is its fair value less costs of disposal using the relief from the royalty method. This matter was significant to our audit because the impairment testing process was complex and involved significant judgements and estimates.

The disclosures about the impairment of indefinite-life intangible assets are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates" and note 16 "Other intangible assets" to the consolidated financial statements, which specifically explain the key assumptions management used for the calculation of the recoverable amount.

#### *Provision for impairment of trade receivables*

As at December 31, 2022, the net balance of trade receivables amounted to US\$93,425,000, including provision for impairment of US\$2,208,000.

Management recognised an impairment provision based on the expected credit loss (ECL) model under IFRS 9 *Financial Instruments*. The measurement of ECLs requires the application of significant management judgement and estimation, such as the existence of disputes, historical payment records, forward-looking factors and any other available information. We focused on this area due to the magnitude of the trade receivables and the estimation and judgement involved in determining the provision for impairment of the trade receivables.

Related disclosures are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates" and note 21 "Trade receivables" to the consolidated financial statements.

### How our audit addressed the key audit matter

We obtained an understanding of the internal control over the process of the impairment test of indefinite-life intangible assets, performed walkthroughs and tests of controls, and assessed the design and operating effectiveness of the relevant internal controls.

Our substantive audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the management, in particular, the discount rate and the royalty rate of each individual asset. We paid specific attention to the forecasts with respect to future revenues which were used to determine the royalty saved by comparing the forecasts with the historical performance and the product revenue plan of the individual asset.

We also assessed the relevant disclosures included in the financial statements.

We obtained an understanding of the process of provision for impairment of trade receivables by performing walkthroughs and tests of controls. We reviewed and assessed the application of the Group's policy for calculating the ECL.

We evaluated the techniques and methodology used in the expected credit loss model in accordance with the requirements of IFRS 9.

We further checked the historical loss rates used in calculating the ECLs through inspecting the existence of disputes, historical payment records and the historical default experience. In addition, we assessed the forward-looking factors based on the existing economic conditions.

We also assessed the relevant disclosures included in the financial statements.

### Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K.W. Lau.

*Ernst & Young*  
Certified Public Accountants  
Hong Kong  
March 21, 2023

## Year ended December 31, 2022

	Notes	2022 US\$'000	2021 US\$'000
<b>REVENUE</b>	5	<b>354,480</b>	294,294
Cost of sales		(152,254)	(127,433)
Gross profit		<b>202,226</b>	166,861
Other income and gains	5	<b>1,326</b>	1,223
Selling and distribution expenses		(99,684)	(78,893)
Administrative expenses		(29,075)	(21,815)
Research and development expenses		(18,023)	(15,594)
Other expenses		(10,035)	(7,798)
Finance costs	7	(1,972)	(2,005)
Share of profits and losses of associates		(521)	(307)
<b>PROFIT BEFORE TAX</b>	6	<b>44,242</b>	41,672
Income tax expense	10	(4,162)	(9,152)
<b>PROFIT FOR THE YEAR</b>		<b>40,080</b>	32,520
Attributable to:			
Owners of the parent		<b>40,170</b>	31,245
Non-controlling interests		(90)	1,275
		<b>40,080</b>	32,520
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic			
– For profit for the year (US cents)	12	<b>8.62</b>	6.90
Diluted			
– For profit for the year (US cents)	12	<b>8.61</b>	6.90

## Consolidated Statement of Comprehensive Income

Year ended December 31, 2022

	Note	2022 US\$'000	2021 US\$'000
<b>PROFIT FOR THE YEAR</b>		<b>40,080</b>	32,520
<b>OTHER COMPREHENSIVE INCOME</b>			
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 year		(1,667)	254
Reclassification adjustments for gains included in the consolidated statement of profit or loss		1,171	(174)
		(496)	80
Exchange differences:			
Exchange differences on translation of foreign operations		(5,363)	(868)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(5,859)	(788)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Actuarial reserve relating to a defined benefit plan	30	538	371
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		538	371
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<b>(5,321)</b>	(417)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>34,759</b>	32,103
Attributable to:			
Owners of the parent		34,849	30,828
Non-controlling interests		(90)	1,275
		<b>34,759</b>	32,103

# Consolidated Statement of Financial Position



December 31, 2022

	Notes	2022 US\$'000	2021 US\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	16,847	14,565
Right-of-use assets	14(a)	35,355	30,892
Goodwill	15	111,183	111,183
Other intangible assets	16	45,288	51,224
Deferred tax assets	18	7,246	4,698
Trade receivables	21	13,047	12,548
Investments in associates	17	6,176	1,385
Other non-current assets	19	69,894	6,037
<b>Total non-current assets</b>		<b>305,036</b>	232,532
<b>CURRENT ASSETS</b>			
Inventories	20	74,720	64,236
Trade receivables	21	80,378	69,875
Prepayments, other receivables and other assets	22	13,919	9,732
Derivative financial instruments	23	–	695
Cash and bank balances	24	81,548	153,062
<b>Total current assets</b>		<b>250,565</b>	297,600
<b>CURRENT LIABILITIES</b>			
Contract liabilities	25	14,375	15,038
Trade payables	26	13,335	13,018
Other payables and accruals	27	41,377	41,057
Interest-bearing bank and other borrowings	28	5,743	7,293
Lease liabilities	14(b)	2,880	3,093
Derivative financial instruments	23	586	–
Tax payables		1,829	4,057
<b>Total current liabilities</b>		<b>80,125</b>	83,556
<b>NET CURRENT ASSETS</b>		<b>170,440</b>	214,044
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>475,476</b>	446,576
<b>NON-CURRENT LIABILITIES</b>			
Contract liabilities	25	592	262
Lease liabilities	14(b)	32,718	31,235
Deferred tax liabilities	18	8,646	9,409
Other long-term liabilities	29	1,295	2,045
<b>Total non-current liabilities</b>		<b>43,251</b>	42,951
<b>NET ASSETS</b>		<b>432,225</b>	403,625
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	31	1,331	1,328
Reserves	32	429,541	400,854
<b>Non-controlling interests</b>		<b>1,353</b>	1,443
<b>Total equity</b>		<b>432,225</b>	403,625

Yi LIU

Director

Lior Moshe DAYAN

Director



## Consolidated Statement of Changes in Equity

### Year ended December 31, 2022

	Attributable to owners of the parent							Non-controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000 (note 31)	Share premium* US\$'000	Other reserve* US\$'000 (note 32)	Cash flow hedge reserve* US\$'000	Exchange fluctuation reserve* US\$'000	Retained earnings* US\$'000	Total US\$'000		
At January 1, 2022	1,328	319,869	(23,888)	193	435	104,245	402,182	1,443	403,625
Profit for the year	-	-	-	-	-	40,170	40,170	(90)	40,080
Other comprehensive income for the year:									
Effective portion of changes in fair value of hedging instruments arising during the year, net of tax	-	-	-	(1,667)	-	-	(1,667)	-	(1,667)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	-	-	-	1,171	-	-	1,171	-	1,171
Exchange differences on translation of foreign operations	-	-	-	-	(5,363)	-	(5,363)	-	(5,363)
Actuarial reserve relating to a defined benefit plan, net of tax	-	-	-	-	-	538	538	-	538
Total comprehensive income for the year	-	-	-	(496)	(5,363)	40,708	34,849	(90)	34,759
Issue of shares (note 31)	3	1,663	(1,666)	-	-	-	-	-	-
Equity-settled share-based payments (note 34)	-	-	3,166	-	-	-	3,166	-	3,166
Final 2021 dividend declared	-	-	-	-	-	(9,325)	(9,325)	-	(9,325)
At December 31, 2022	1,331	321,532	(22,388)	(303)	(4,928)	135,628	430,872	1,353	432,225

\* These reserve accounts comprise the consolidated reserves of US\$429,541,000 (2021: US\$400,854,000) in the consolidated statement of financial position.

## Consolidated Statement of Changes in Equity



	Attributable to owners of the parent							Non-controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000 (note 31)	Share premium* US\$'000	Other reserve* US\$'000 (note 32)	Cash flow hedge reserve* US\$'000	Exchange fluctuation reserve* US\$'000	Retained earnings* US\$'000	Total US\$'000		
At January 1, 2021	1,254	240,766	11,633	113	1,303	76,820	331,889	-	331,889
Profit for the year	-	-	-	-	-	31,245	31,245	1,275	32,520
Other comprehensive income for the year:									
Effective portion of changes in fair value of hedging instruments arising during the year, net of tax	-	-	-	254	-	-	254	-	254
Reclassification adjustments for gains included in the consolidated statement of profit or loss	-	-	-	(174)	-	-	(174)	-	(174)
Exchange differences on translation of foreign operations	-	-	-	-	(868)	-	(868)	-	(868)
Actuarial reserve relating to a defined benefit plan, net of tax	-	-	-	-	-	371	371	-	371
Total comprehensive income for the year	-	-	-	80	(868)	31,616	30,828	1,275	32,103
Issue of shares (note 31)	74	79,103	-	-	-	-	79,177	-	79,177
Equity-settled share-based payments (note 34)	-	-	294	-	-	-	294	-	294
Acquisition of a subsidiary	-	-	(36,874)	-	-	-	(36,874)	1,443	(35,431)
Acquisition of non-controlling interests	-	-	1,059	-	-	-	1,059	(942)	117
Final 2020 dividend declared	-	-	-	-	-	(4,191)	(4,191)	-	(4,191)
Dividend paid to the non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(333)	(333)
At December 31, 2021	1,328	319,869	(23,888)	193	435	104,245	402,182	1,443	403,625

## Consolidated Statement of Cash Flows

Year ended December 31, 2022

	Notes	2022 US\$'000	2021 US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		44,242	41,672
Adjustments for:			
Finance costs	7	1,972	2,005
Interest income	5	(613)	(543)
Fair value loss/(gain) from foreign exchange forward contracts not qualifying as hedges	6	2,812	(492)
Depreciation of property, plant and equipment	6	2,335	2,211
Depreciation of right-of-use assets	6	3,817	3,463
Amortization of other intangible assets	6	6,250	6,611
Provision for impairment of trade receivables	6	560	1,399
Provision for impairment of inventories	6	6,621	4,878
Share of losses of associates	6	521	307
Equity-settled share-based payments	6	3,166	294
		<b>71,683</b>	61,805
Increase in inventories		(19,361)	(19,444)
Increase in trade receivables		(16,239)	(23,360)
Decrease in prepayments, other receivables and other assets		(6,703)	(3,782)
(Decrease)/Increase in other non-current assets		(169)	9
Increase in trade payables		832	893
Increase in other payables and accruals		497	18,138
Increase in contract liabilities		70	5,748
Decrease in other long-term liabilities		(166)	(93)
Cash generated from operations		30,444	39,914
Income tax paid		(8,405)	(7,537)
Net cash flows from operating activities		<b>22,039</b>	32,377
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		648	550
Purchases of items of property, plant and equipment		(4,754)	(2,965)
Disposal of items of property, plant and equipment		40	–
Purchase of Intangible assets		(314)	–
Investment in associates		(5,415)	(1,554)
Proceeds from disposal of associates		–	438
Dividends received from associates		–	819
Acquisition of a subsidiary		–	(43,267)
Increase in long-term bank deposits		(4,442)	(5,788)
Purchase of sublicense		(59,255)	–
Decrease in term deposits with original maturity of more than three months		21,379	5,000
Net cash flows used in investing activities		<b>(52,113)</b>	(46,767)

	Notes	2022 US\$'000	2021 US\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from issue of shares		–	79,177
New bank loan and other borrowings		5,893	3,077
Repayment of bank loan and other borrowings		(6,973)	(5,180)
Lease payments	14(b)	(4,982)	(4,632)
Dividends paid to shareholders		(9,325)	(4,191)
Dividends paid to the non-controlling shareholder of a subsidiary		–	(333)
Acquisition of additional interests in a subsidiary		–	(11,148)
Interest paid		(433)	(391)
Payment for the settlement of foreign currency forward contracts		(2,027)	(602)
Net cash flows (used in)/from financing activities		(17,847)	55,777
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		124,920	83,373
Effect of foreign exchange rate changes, net		(2,206)	160
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the consolidated statement of cash flows		74,793	124,920
Pledged bank balances for bank loans	24	134	142
Term deposits with original maturity of more than three months	24	6,621	28,000
Cash and bank balances as stated in the consolidated statement of financial position	24	81,548	153,062

## **1. CORPORATE AND GROUP INFORMATION**

The Company is a limited liability company incorporated under the laws of the State of Israel on April 25, 2013. The registered office of the Company is located at Ofek Building 15, HaHarash Street 18, Industrial Park, Caesarea, 3079895. Israel.

The Company is involved in research, development, design, manufacture, sales and marketing of medical aesthetics and dental equipment, home use devices, injectables and cosmeceuticals products.

A major shareholder of the Company is Ample Up Limited and the ultimate holding company of the Company is Fosun International Holdings Limited. The ultimate controlling shareholder of the Company is Mr. Guo Guangchang.

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Alma Lasers Ltd.	Israel October 5, 1999	New Israeli Shekels ("NIS") 14,000,000	100%	–	Manufacture and sale of medical equipment
Alma Lasers Inc.	United States August 1, 2005	US\$10	–	100%	Distribution of medical equipment
Alma Lasers GmbH	Germany July 31, 2012	EUR25,000	–	100%	Distribution of medical equipment
Alma Lasers AT GmbH	Austria March 22, 2010	EUR35,000	–	100%	Distribution of medical equipment
Alma Medical Private Limited	India December 3, 2014	Indian Rupee ("INR") 7,500,000	–	100%	Distribution of medical equipment
Alma Medical HK Limited	Hong Kong June 6, 2018	Hong Kong Dollar ("HK\$") 100	–	100%	Distribution of medical equipment
Nova Medical Israel Ltd. ("Nova")	Israel January 7, 2007	NIS2,750,000	–	100%	Distribution of medical equipment
Alma Lasers Australia Pty Ltd	Australia May 17, 2019	Australian Dollar ("AU\$") 100	–	100%	Distribution of medical equipment
Alma Korea Limited	Republic of Korea June 25, 2019	Korean Won 100,000,000	–	100%	Distribution of medical equipment
Sisram Medical (Tianjin) Ltd.* ("Sisram Tianjin")	People's Republic of China April 10, 2020	RMB 50,000,000	–	100%	Investment holding, pharmaceutical R&D
Shanghai Foshion Medical System Co., Ltd.** ("Foshion")	People's Republic of China January 20, 2000	RMB 30,000,000	–	100%	Distribution of medical equipment
Xingyuanda Medical Technology Huaian Co., Ltd.**	People's Republic of China December 17, 2020	RMB 7,100,000	–	100%	Distribution of medical equipment
Sisram Medical HK Limited***	Hong Kong December 9, 2021	HK\$100	–	100%	Distribution of medical equipment
Alma Lasers UK Ltd	England and Wales May 17, 2022	GBP100	–	100%	Distribution of medical equipment

\* Sisram Medical (Tianjin) Ltd. is registered as a wholly-foreign-owned enterprise under PRC law.

\*\* Shanghai Foshion Medical System Co.,Ltd. and Xingyuanda Medical Technology Huaian Co., Ltd. are registered as limited liability enterprises under PRC law.

\*\*\* Sisram Medical HK Ltd. is a registered as limited liability enterprise under the Laws of Hong Kong.

## 2.1 BASIS OF PREPARATION

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

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended December 31, 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract Annual</i>
<i>Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after January 1, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items, as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after January 1, 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at January 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.



## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from January 1, 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>2</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to IFRS 17	<i>Insurance Contracts</i> <sup>1,5</sup>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i> <sup>6</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”) <sup>2,4</sup>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”) <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>1</sup>

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

5 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

Further information about those IFRSs that are expected to be applicable to the Group is described below.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements. In respect of sale and leaseback transactions with variable lease payments that do not depend on an index or a rate, the Group will develop an accounting policy for such transactions.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

## **2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)**

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Business combinations and goodwill** *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### **Fair value measurement**

The Group measures its derivative financial instruments at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fair value measurement *(Continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	10% to 33%
Furniture and fixtures	6% to 20%
Leasehold improvements	Over the shorter of the lease terms and 5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

### *Customer relationships*

Customer relationships are stated at cost less any impairment losses and are amortized on the straight-line basis over the estimated useful lives of 12 to 14.5 years.

### *Trademarks*

Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

### *Patents and technology*

Patents and technology are stated at cost less any impairment losses and are amortized on the straight-line basis over the estimated useful lives of 5 to 10 years.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets (other than goodwill) (Continued)

#### License agreement

Purchased license agreement is stated at cost less any impairment losses and is amortized on the straight-line basis over the estimated useful life of 6 to 10 years.

#### Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Expenditure which does not meet these criteria is expensed when incurred.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Plant	3.5 to 20 years
Motor vehicles	3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *Group as a lessee (Continued)*

##### (b) Lease liabilities

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

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

##### (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value.

Lease payments on short-term and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

### Investments and other financial assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Investments and other financial assets** *(Continued)*

#### ***Initial recognition and measurement*** *(Continued)*

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

#### ***Financial assets at amortized cost (debt instruments)***

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

#### ***Financial assets at fair value through other comprehensive income (debt instruments)***

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the statement of profit or loss.

#### ***Financial assets designated at fair value through other comprehensive income (equity investments)***

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets *(Continued)*

#### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when:

- (a) the rights to receive cash flows from the asset have expired; or
- (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates, if and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets

The Group recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Normally when contractual payments are 90 days past due, the Group performs analytical review and investigates the reason for the overdue to evaluate if it's in default or not. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

### Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings, payables, or as derivatives designated as hedge instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings, derivative financial instruments and other long-term liabilities.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

#### *Financial liabilities at amortized cost (loans and borrowings)*

After initial recognition, loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **Derivative financial instruments and hedge accounting**

#### ***Initial recognition and subsequent measurement***

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Derivative financial instruments and hedge accounting** *(Continued)*

#### ***Initial recognition and subsequent measurement*** *(Continued)*

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

#### ***Cash flow hedges***

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Derivative financial instruments and hedge accounting *(Continued)*

#### ***Current versus non-current classification***

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

#### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

#### **Provisions**

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Income tax** *(Continued)*

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Government grants**

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

### **Revenue recognition**

#### ***Revenue from contracts with customers***

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

#### (a) Sale of products

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition *(Continued)*

#### *Revenue from contracts with customers (Continued)*

(b) Services provided

The Group provides services that are bundled together with the sale of products to customers. The services can be obtained from other providers and do not significantly customize or modify the products. Contracts for bundled sales of products and services are separate performance obligations because the promises to transfer the products and provide services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative standalone selling prices of the products and services. The revenue is recognized when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

#### *Other income*

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

#### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

#### **Contract liabilities**

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

#### **Share-based payments**

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of options under the share option scheme is determined by management using a binomial model. The fair value of restricted shares under the share ownership plan is determined by management using an asset-based approach, further details of which are given in note 34 to the financial statements.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payments *(Continued)*

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### Employee benefits

#### *Defined benefit plan*

The Group's liability for severance pay for its employees is pursuant to the Israel's Severance Pay Law and is based on the most recent salary of the employees multiplied by the number of years of employment. Employees are entitled to severance pay equal to one month's salary for each year of employment, or a portion thereof. The Group's liability for its employees is provided for by monthly deposits with severance pay funds, insurance policies and by an accrual.

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Employee benefits *(Continued)*

#### **Defined benefit plan** *(Continued)*

The cost of providing severance pay is determined based on the valuations performed by an independent actuary. Remeasurements arising from a defined benefit pension plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under “cost of sales”, “selling and distribution expenses”, “administrative expenses” and “research and development expenses” in the consolidated statement of profit or loss by function:

- (a) service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- (b) net interest expense or income

#### **Dividends**

Final Dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

#### **Foreign currencies**

These financial statements are presented in US\$, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies *(Continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associate are currencies other than the US\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into US\$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into US\$ at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into US\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US\$ at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

#### *Revenue from contracts with customers*

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- (a) Identifying performance obligations in a bundled sale of industrial products and extended warranty option

The Group provides services that are either sold separately or bundled together with the sale of products to a customer. The services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer.

The Group determined that both products and services are each capable of being distinct. The fact that the Group regularly sells both products and services on a standalone basis indicates that the customer can benefit from both products on their own. The Group also determined that the promises to transfer the products and to provide services are distinct within the context of the contract. The products and services are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the products and services together in the contract does not result in any additional or combined functionality and neither the products nor the services modify or customize the other. In addition, the products and services are not highly inter-dependent or highly interrelated, because the Group would be able to transfer the products even if the customer declined it and would be able to provide services in relation to products sold by other distributors. Consequently, the Group has allocated a portion of the transaction price to the industrial products and extended warranty option based on relative standalone selling prices.

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2022 was US\$111,183,000. Further details are given in note 15 to the financial statements.



### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### **Estimation uncertainty** *(Continued)*

##### ***Provision for expected credit losses on trade receivables***

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

##### ***Leases – Estimating the incremental borrowing rate***

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

##### ***Impairment of non-financial assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. For trademarks with indefinite useful life, the fair value less cost of disposal is determined using the relief from royalty method. Further details are given in note 16 to the financial statements.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### **Estimation uncertainty** *(Continued)*

##### ***Deferred tax assets***

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

##### ***Net realizable value of inventories***

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs or competitors' actions in response to the product industry cycle. Management reassesses these estimates at the end of the reporting period.

##### ***Useful lives and residual value of plant and equipment***

The Group determines the estimated useful lives, residual value and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual value of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than the previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

#### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, which is the design, development, manufacture and sale of energy-based aesthetic medical, minimally invasive treatment systems, non-EBD devices and cosmeceuticals. Therefore, no analysis by operating segment is presented.

##### Geographical information

###### (a) Revenue from external customers

	2022 US\$'000	2021 US\$'000
Europe	58,323	51,890
North America	143,664	112,040
Asia Pacific	98,069	85,211
Latin America	17,842	14,343
Middle East and Africa	36,582	30,810
	<b>354,480</b>	294,294

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

###### (b) Non-current assets

	2022 US\$'000	2021 US\$'000
Israel	224,936	217,906
United States	4,986	1,483
Other countries	67,868	8,445
	<b>297,790</b>	227,834

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

##### Information about a major customer

There were no revenues from transactions with a single external customer amounting to 10% or more of total revenue for the reporting period. Revenue from sales to one single customer accounted for about 12.9% of the total revenue in 2021.

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 US\$'000	2021 US\$'000
<i>Revenue from contracts with customers</i>	<b>354,480</b>	294,294

### Revenue from contracts with customers

(i) Disaggregated revenue information

**For the year ended December 31, 2022**

	2022 US\$'000	2021 US\$'000
<b>Types of goods or services</b>		
Sale of products	<b>334,653</b>	278,733
Services provided	<b>19,827</b>	15,561
Total revenue from contracts with customers	<b>354,480</b>	294,294
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>334,653</b>	278,733
Services transferred over time	<b>19,827</b>	15,561
Total revenue from contracts with customers	<b>354,480</b>	294,294

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

	2022 US\$'000	2021 US\$'000
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	<b>8,925</b>	5,129
Services provided	<b>6,113</b>	3,049
	<b>15,038</b>	8,178

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers (Continued)

#### (ii) Performance obligations

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

#### *Sale of products*

The performance obligation is satisfied when control of goods is transferred to the customers and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and the related revenue is recognized until the period of return expires.

#### *Services provided*

The performance obligation is satisfied over time as services are rendered and advances are normally required before rendering the services.

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

	2022 US\$'000	2021 US\$'000
<b>Amounts expected to be recognized as revenue:</b>		
Within one year	14,375	15,038
After one year	592	262
	<b>14,967</b>	<b>15,300</b>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognized as revenue after one year relate to services provided. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognized as revenue within one year.

#### **Other income and gains**

	2022 US\$'000	2021 US\$'000
Bank interest income	613	543
Fair value gains from foreign exchange forward contracts not qualifying as hedges	–	492
Others	713	188
	<b>1,326</b>	<b>1,223</b>

## 6. PROFIT BEFORE TAX

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

	2022 US\$'000	2021 US\$'000
Cost of inventories sold	106,234	88,991
Cost of services provided	46,020	38,442
	<b>152,254</b>	127,433
Employee benefit expense (including directors' and senior management's remuneration (note 8)):		
Wages and salaries	92,831	78,282
Equity-settled share base payments	3,166	294
Defined benefit scheme	721	880
	<b>96,718</b>	79,456
Research and development costs:		
Current year expenditure	18,023	15,594
Auditors' remuneration	524	418
Lease payments not included in the measurement of lease liabilities	1,155	836
Depreciation of property, plant and equipment (note 13)	2,335	2,211
Depreciation of right-of-use assets (note 14(a))	3,817	3,463
Amortization of other intangible assets (note 16)	6,250	6,611
Provision for impairment of inventories	6,621	4,878
Provision for impairment of trade receivables (note 21)	560	1,399
Fair value loss/(gain) from foreign exchange forward contracts not qualifying as hedges	2,812	(492)
Share of profits and losses of associates	521	307
Foreign exchange differences, net	(31)	1,538

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 US\$'000	2021 US\$'000
Interest on loans and borrowings	272	518
Interest on lease liabilities (note 14(b))	1,463	1,487
Bank charges	237	-
	<b>1,972</b>	2,005

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2022 US\$'000	2021 US\$'000
Fees	124	100
Other emoluments:		
Salaries, allowances and benefits in kind	1,289	767
Equity-settled share base payments	845	74
Performance related bonuses	745	770
	<b>2,879</b>	1,611
	<b>3,003</b>	1,711

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 US\$'000	2021 US\$'000
Mr. Heung Sang Addy FONG	31	25
Mr. Chi Fung Leo CHAN	31	25
Ms. Jenny CHEN	31	25
Mr. Kai Yu Kenneth LIU	31	25
	<b>124</b>	100

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

### (b) Executive directors, non-executive directors and the chief executive

	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Performance related bonuses US\$'000	Equity-settled share base payments US\$'000	Total remuneration US\$'000
<b>2022</b>					
Executive directors:					
Mr. Yi LIU	–	–	–	158	158
Mr. Guojun BU*	–	–	–	57	57
	–	–	–	215	215
Non-executive directors:					
Mr. Yifang WU	–	–	–	–	–
Ms. Rongli FENG	–	–	–	–	–
	–	–	–	–	–
Chief executive:					
Mr. Lior Moshe DAYAN	–	1,289	745	630	2,664
	–	1,289	745	845	2,879
<b>2021</b>					
Executive directors:					
Mr. Yi LIU	–	–	–	14	14
Mr. Guojun BU*	–	–	–	5	5
	–	–	–	19	19
Non-executive directors:					
Mr. Yifang WU	–	–	–	–	–
Ms. Rongli FENG	–	–	–	–	–
Mr. Yao WANG**	–	–	–	–	–
	–	–	–	–	–
Chief executive:					
Mr. Lior Moshe DAYAN	–	767	770	55	1,592
	–	767	770	74	1,611

\* Mr. Guojun BU has tendered his resignation from the position of executive director and chief financial officer of the Company with effect from January 1, 2023 due to work rearrangement.

\*\* Mr. Yao WANG has tendered his resignation from the position of non-executive director of the Company with effect from May 30, 2022 due to his other work commitments.

There was no arrangement under which a director or chief executive waived or agreed to waive any remuneration during the year.



## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the reporting period included one director who is also the chief executive (2021: one director who is also the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the reporting period of the remaining four (2021: four) highest paid employees who are neither directors nor the chief executive of the Company are as follows:

	2022 US\$'000	2021 US\$'000
Salaries, allowances and benefits in kind	1,166	1,327
Equity-settled share base payments	163	18
Performance related bonuses	4,412	7,334
	<b>5,741</b>	<b>8,679</b>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
Nil to US\$1,000,000	–	–
US\$1,000,001 to US\$1,500,000	3	1
US\$1,500,001 to US\$2,000,000	–	1
US\$2,000,001 to US\$2,500,000	1	1
US\$3,000,001 to US\$3,500,000	–	1
	<b>4</b>	<b>4</b>

## 10. INCOME TAX

The Israeli corporate tax rate applicable to the Company was 23% for the reporting period (2021: 23%). Each entity in the Group is taxable based on its standalone results as measured by the local tax system.

Taxes on taxable income assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

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

Applicable benefits under the new regime include:

Introduction of a benefit regime for “Preferred Technology Enterprises”, where tax rates of 12% and 7.5% were applicable for income derived from central Israel and special areas in Israel, respectively, 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. Preferred Technology Enterprises is defined as an enterprise which meets the aforementioned conditions with the 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.

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

The following applies to SPTE:

- A 6% capital gains tax rate on the sale of a preferred intangible asset to a foreign affiliated enterprise, in accordance with the criteria mentioned in the law.
- A withholding tax rate of 20% for the dividends paid from a Preferred Technology Enterprise’s income (with an exemption from such withholding tax applying to dividends paid to an Israeli company). Such rate may be reduced to 4% on the dividends paid to a foreign resident company, subject to certain conditions regarding the percentage of foreign ownership of the distributing entity.

As of December 31, 2022, Alma enjoyed a preferential effective tax rate of 6%, for being a SPTE for the year ended December 31, 2022 (2021: 6%).

## 10. INCOME TAX (Continued)

On November 15, 2021, the Economic Efficiency Law in Israel was published (“**Economic Efficiency Law**”), in which a temporary provision was set regarding the realization of profits accumulated until December 31, 2021, in the years in which the same profits were exempt from corporate income tax (“**Clawback Profits**”) taking into account the mechanism established for the payment of reduced tax (“**Temporary Provisions**”).

The subsidiary released their Clawback Profits and chose to pay reduced corporate income tax. The Company made tax provision of US\$0.9 million and US\$2.9 million in its consolidated financial statements for 2022 and 2021, respectively, in accordance with the Temporary Provisions.

On February 26, 2022 Alma and Nova received the approval from the ITA effective as of December 31, 2022 for the merger of Nova into Alma under section 103 to the Israeli Tax Ordinary (“**ITO**”). Following the approval, the Israeli tax rate for Nova’s profits derived from Alma products will be reduced tax rate of 6% (under the SPTE).

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

### Rate reduction

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

The income of Alma Lasers GmbH, a subsidiary incorporated in Germany, is taxed based upon the tax law in Germany, the country of residence. Income was taxed at a flat corporate income tax rate of 15% during the reporting period and was also subject to additional trade income taxes of 16.47% 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 26% during the reporting period (which was not a flat rate but included 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 Sisram Medical (Tianjin) Ltd., Shanghai Foshion Medical System Co., Ltd. and Xingyuanda Medical Technology Huaian Co., Ltd., subsidiaries established in PRC, are taxed at the rate of 25%.

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

## 10. INCOME TAX (Continued)

### Rate reduction (Continued)

The income of Alma Korea Limited, a subsidiary incorporated in Korea, is taxed at the rate of 20%.

	2022 US\$'000	2021 US\$'000
Current	7,473	10,534
Deferred (note 18)	(3,311)	(1,382)
<b>Total tax charge for the year</b>	<b>4,162</b>	<b>9,152</b>

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

	2022 US\$'000	2021 US\$'000
Profit before tax	44,242	41,672
Statutory tax rate	23%	23%
Tax at the statutory tax rate	10,176	9,586
Different tax rates for certain entities	(7,737)	(6,298)
Effect on opening deferred tax from changes in tax rates	67	148
Tax losses utilized from previous periods	(545)	–
Expenses not deductible for tax	521	337
Taxes in respect of previous years*	940	3,515
Deductible temporary differences not recognised	5	–
Tax losses not recognized	85	671
Others	650	1,193
<b>Total tax charge for the year</b>	<b>4,162</b>	<b>9,152</b>

\* Tax in respect of previous year in 2022 includes the tax provision amounted to US\$0.9 million (2021: US\$2.9M) on the Clawback Profits to be realized in accordance with the Economic Efficiency Law.

## 11. DIVIDEND

On March 21, 2023, the Board resolved to declare a final dividend of HK\$0.173 (inclusive of tax) per share for the year ended December 31, 2022 (for the year ended December 31, 2021: HK\$0.157).

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

The calculation of the basic earnings per share amount is based on the profit for the reporting period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares ("Shares") of 466,245,938 (2021: 452,544,641) in issue during the reporting period.

The calculation of the diluted earnings per share amount is based on the profit for the reporting period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed vesting of all dilutive potential ordinary shares into ordinary shares.

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

	2022 US\$'000	2021 US\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	40,170	31,245
<b>Number of shares</b>		
	2022	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	466,245,938	452,544,641
Effect of dilution – weighted average number of ordinary shares: – 2021 Restricted Share Units Scheme ("2021 RSU Scheme")	528,394	322,973
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	466,774,332	452,867,614

On July 19, 2021, the Company entered into the Placing Agreement with the Placing Agents in relation to the placing of a maximum of 24,000,000 Shares. On July 27, 2021, a total of 24,000,000 new shares, representing approximately 5.15% of the total issued share capital of the Company, were issued for total amount of US\$79.2 million.

On November 22, 2022, 1,137,009 ordinary shares have been issued to certain RSU holders upon the vesting of these RSUs. Please refer to note 34 for more details. (note 34).

### 13. PROPERTY, PLANT AND EQUIPMENT

#### December 31, 2022

	Plant and machinery US\$'000	Furniture and fixtures US\$'000	Leasehold improvements US\$'000	Total US\$'000
At January 1, 2022:				
Cost	11,389	1,756	9,771	22,916
Accumulated depreciation and impairment	(6,455)	(601)	(1,295)	(8,351)
Net carrying amount	4,934	1,155	8,476	14,565
At January 1, 2022 net of accumulated depreciation and impairment	4,934	1,155	8,476	14,565
Additions	4,117	415	125	4,657
Disposal	(40)	–	–	(40)
Depreciation provided during the year	(1,597)	(230)	(508)	(2,335)
At December 31, 2022, net of accumulated depreciation and impairment	7,414	1,340	8,093	16,847
At December 31, 2022:				
Cost	15,466	2,171	9,896	27,533
Accumulated depreciation and impairment	(8,052)	(831)	(1,803)	(10,686)
Net carrying amount	7,414	1,340	8,093	16,847

#### December 31, 2021

	Plant and machinery US\$'000	Furniture and fixtures US\$'000	Leasehold improvements US\$'000	Total US\$'000
At January 1, 2021:				
Cost	8,216	1,133	9,604	18,953
Accumulated depreciation and impairment	(4,913)	(220)	(1,007)	(6,140)
Net carrying amount	3,303	913	8,597	12,813
At January 1, 2021 net of accumulated depreciation and impairment	3,303	913	8,597	12,813
Additions	2,346	623	167	3,136
Acquisition of a subsidiary	827	–	–	827
Depreciation provided during the year	(1,542)	(381)	(288)	(2,211)
At December 31, 2021, net of accumulated depreciation and impairment	4,934	1,155	8,476	14,565
At December 31, 2021:				
Cost	11,389	1,756	9,771	22,916
Accumulated depreciation and impairment	(6,455)	(601)	(1,295)	(8,351)
Net carrying amount	4,934	1,155	8,476	14,565

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for various items of plant, motor vehicles and other equipment used in its operations. Leases of plant generally have lease terms between 3.5 and 20 years, while motor vehicles generally have lease terms of 3 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Plant US\$'000	Motor vehicles US\$'000	Total US\$'000
As at January 1, 2021	31,460	1,888	33,348
Additions	1,075	–	1,075
Depreciation charge	(2,698)	(765)	(3,463)
Exchange realignment	(56)	(12)	(68)
As at December 31, 2021 and January 1, 2022	<b>29,781</b>	<b>1,111</b>	<b>30,892</b>
Additions	<b>7,696</b>	<b>772</b>	<b>8,468</b>
Depreciation charge	<b>(3,002)</b>	<b>(815)</b>	<b>(3,817)</b>
Exchange realignment	<b>(120)</b>	<b>(68)</b>	<b>(188)</b>
As at December 31, 2022	<b>34,355</b>	<b>1,000</b>	<b>35,355</b>

## 14. LEASES (Continued)

### The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 US\$'000	2021 US\$'000
Carrying amount at January 1	34,328	35,365
New leases	8,468	1,075
Accretion of interest recognized during the year (note 7)	1,463	1,487
Payments	(4,982)	(4,632)
Exchange realignment	(3,679)	1,033
Carrying amount at December 31	35,598	34,328
Analysed into:		
Current portion	2,880	3,093
Non-current portion	32,718	31,235

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	2022 US\$'000	2021 US\$'000
Interest on lease liabilities	1,463	1,487
Depreciation charge of right-of-use assets	3,817	3,463
Expense relating to short-term leases (included in cost of sales)	599	297
Expense relating to leases of low-value assets (included in administrative expenses)	11	6
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales and other expenses)	545	533
Total amount recognized in profit or loss	6,435	5,786

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 35 to the financial statements.



## 15. GOODWILL

	US\$'000
Cost and net carrying amount at December 31, 2022 and 2021	111,183

### Impairment testing of goodwill

The Group's goodwill acquired through business combination arose mainly from the acquisition of Alma in 2013. The goodwill has been allocated to the cash-generating unit of Alma for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16.7% (2021: 14.5%). The long-term growth rate used to extrapolate the cash flows of the above cash-generating unit is 2.3% (2021: 3%), which is also an estimate of the long-term rate of raw materials price inflation.

### Key assumptions used in the value in use calculation

Assumptions were used in the value in use calculation of the cash-generating unit for the reporting period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Budgeted gross margins* – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

*Discount rates* – The discount rates used are before tax and reflect specific risks relating to the relevant unit.

*Long-term growth rate* – The basis used to determine the value assigned to long-term growth rate is the forecast price indices during the budget year from where the raw materials are sourced.

The values assigned to the key assumptions on market development of the medical equipment industry, discount rates and long-term growth rate are consistent with external information sources.

With regard to the assessment of value in use, management believes that no reasonably possible changes in any of the key assumptions would cause the recoverable amount of the cash-generating unit for which goodwill is allocated to be materially lower than its carrying amount.

## 16. OTHER INTANGIBLE ASSETS

	Customer relationships US\$'000	Trademarks US\$'000	Patents and technology US\$'000	Licence agreement and others US\$'000	Total US\$'000
<b>31 December 2022</b>					
Cost at January 1, 2022, net of accumulated amortization	19,272	24,493	6,972	487	51,224
Additions	–	–	314	–	314
Amortization provided during the year (note 6)	(3,639)	–	(2,464)	(147)	(6,250)
At December 31, 2022	15,633	24,493	4,822	340	45,288
At December 31, 2022:					
Cost	43,867	24,493	24,544	3,403	96,307
Accumulated amortization	(28,234)	–	(19,722)	(3,063)	(51,019)
Net carrying amount	15,633	24,493	4,822	340	45,288
<b>31 December 2021</b>					
Cost at January 1, 2021, net of accumulated amortization	22,352	24,493	4,522	1,914	53,281
Acquisition of a subsidiary	–	–	4,554	–	4,554
Amortization provided during the year (note 6)	(3,080)	–	(2,104)	(1,427)	(6,611)
At December 31, 2021	19,272	24,493	6,972	487	51,224
At December 31, 2021:					
Cost	43,867	24,493	24,230	3,403	95,993
Accumulated amortization	(24,595)	–	(17,258)	(2,916)	(44,769)
Net carrying amount	19,272	24,493	6,972	487	51,224

The useful life of trademarks was determined as indefinite in accordance with IAS 38 *Intangible Assets*. The trademarks are capable of being renewed indefinitely at an insignificant cost according to their legal rights and therefore are perpetual in duration, and based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely.

## 16. OTHER INTANGIBLE ASSETS (Continued)

### Impairment testing of trademark

The intangible assets with indefinite life of the Group are the trademark generated from the acquisition of Alma Group which amounted to US\$24,493,000 as at December 31, 2022 (December 31, 2021: US\$24,493,000). The trademark has indefinite life because the extension cost is low and they can be used indefinitely. The impairment test is based on the recoverable amount of the intangible assets, which is the fair value less costs of disposal.

The fair value calculation of the trademark used the relief from royalty method based on the royalty rate 2.5% (2021: 2.5%) of forecasted revenues. The revenues are forecasted based on an operational plan covering a five-year period as approved by senior management. The long-term growth rate of revenues is 2.3% (2021: 3%), which is also an estimate of the long-term rate of inflation. The discount rate applied to the royalty income was 16.8% for 2022 (2021: 16.5%).

### Key assumptions used in the value in use calculation

Assumptions were used in the value-in-use calculation for the reporting period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of indefinite life intangible assets:

*Discount rates* – The discount rates used are before tax and reflect specific risks relating to the relevant units.

*Royalty rates* – The royalty rates are determined based on comparable or similar transactions.

*Long-term growth rate* – The basis used to determine the value assigned to long-term growth rate is the forecast price indices during the budget year from where the raw materials are sourced.

The values assigned to the key assumptions on market development of the medical equipment industry, discount rates, royalty rates and long-term growth rate are consistent with external information sources.

With regard to the assessment of fair value, management believes that no reasonably possible changes in any of the key assumptions would cause the recoverable amount of the trademark to be materially lower than its carrying amount.

## 17. INVESTMENTS IN ASSOCIATES

	2022 US\$'000	2021 US\$'000
Share of net assets	2,248	1,385
Goodwill on acquisition	3,928	–
	<b>6,176</b>	1,385

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of Incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Tianjin JuveStar Bio-technology Company Ltd.*	Ordinary shares	PRC/Mainland China	7	Development of biotechnology products
Fuzhou Rick Brown Pharma-ceutical Technology Co., Ltd	Ordinary shares	PRC/Mainland China	23	Development of biotechnology products
Tianjin Silkar Biotech Co., Ltd*	Ordinary shares	PRC/Mainland China	10	Development of biotechnology products

\* The Group's investments in the associates are accounted for under the equity method of accounting because the Group has significant influence over the entities by way of representation on their boards of directors and participation in the policy-making process, despite the fact that the Group's equity interests in the associates were lower than 20% during the reporting period.

The Group has derecognized its share of losses of BELKIN Laser Ltd. because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amount of the Group's unrecognized share of losses of this associate was US\$216,000 for the year of 2022 (2021: US\$186,000). As at December 31, 2022, the accumulated unrecognized share of losses of this associate was US\$702,000 (2021: US\$486,000).

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 US\$'000	2021 US\$'000
Share of the associates' loss for the year	(521)	(307)
Share of the associates' total comprehensive loss	(521)	(307)
Aggregate carrying amount of the Group's investments in the associates	<b>6,176</b>	1,385

## 18. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

### Deferred tax assets

	Warranties US\$'000	Reserves and allowances US\$'000	Research and development US\$'000	Intangible assets US\$'000	Stock-based compensation US\$'000	Contract liabilities US\$'000	Unrealized intercompany profit and others US\$'000	Total US\$'000
Gross deferred tax assets at January 1, 2021	147	1,031	758	-	-	214	3,147	5,297
Deferred tax credited/(charged) to the statement of profit or loss during the year	198	42	198	-	-	(116)	610	932
Gross deferred tax assets at December 31, 2021	345	1,073	956	-	-	98	3,757	6,229
Deferred tax credited/(charged) to the statement of profit or loss during the year	89	482	41	(23)	74	61	1,377	2,101
Gross deferred tax assets at December 31, 2022	434	1,555	997	(23)	74	159	5,134	8,330

### Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary US\$'000	Others US\$'000	Total US\$'000
Gross deferred tax liabilities at January 1, 2021	9,785	375	10,160
Acquisition of a subsidiary	1,230	-	1,230
Deferred tax (credited)/charged to the statement of profit or loss during the year	(854)	404	(450)
Gross deferred tax liabilities at December 31, 2021	10,161	779	10,940
Deferred tax (credited)/charged to the statement of profit or loss during the year	(1,376)	166	(1,210)
Gross deferred tax liabilities at December 31, 2022	<b>8,785</b>	<b>945</b>	<b>9,730</b>

## 18. DEFERRED TAX (Continued)

### Deferred tax liabilities (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 US\$'000	2021 US\$'000
Gross deferred tax assets	8,330	6,229
Offsetting with deferred tax liabilities	(1,084)	(1,531)
Net deferred tax assets recognized in the consolidated statement of financial position	7,246	4,698
Gross deferred tax liabilities	9,730	10,940
Offsetting with deferred tax assets	(1,084)	(1,531)
Net deferred tax liabilities recognized in the consolidated statement of financial position	8,646	9,409

## 19. OTHER NON-CURRENT ASSETS

	2022 US\$'000	2021 US\$'000
Long-term prepayments	59,394	–
Long-term bank deposits	10,230	5,788
Long-term deposits	270	249
	69,894	6,037

At December 31, 2022, the Group did not have any long-term deposits or long-term bank deposits (2021: Nil) that have been pledged. At December 31, 2022, the Group's long-term prepayments mainly includes Sisram Tianjin's prepayment to Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Fosun Industrial") for the sublicense agreement of the injectable pharmaceutical drug product ("Daxxify").

## 20. INVENTORIES

	2022 US\$'000	2021 US\$'000
Raw materials	34,906	29,366
Work in progress	3,017	3,514
Finished goods	47,124	37,562
Provision	(10,327)	(6,206)
	74,720	64,236

At December 31, 2022, the Group did not have any inventories (2021: Nil) that have been pledged.

**21. TRADE RECEIVABLES**

	2022 US\$'000	2021 US\$'000
Trade receivables		
Current	81,856	72,107
Non-current	13,777	12,610
	<b>95,633</b>	84,717
Impairment		
Current	(1,478)	(2,232)
Non-current	(730)	(62)
	<b>(2,208)</b>	(2,294)
	<b>93,425</b>	82,423

The Group's trading terms with its customers are mainly on credit. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Details of the concentration of credit risk arising from the customers are set out in note 39 to the financial statements.

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

	2022 US\$'000	2021 US\$'000
Within one month	49,586	46,951
1 to 2 months	6,162	4,894
2 to 3 months	5,111	5,422
Over 3 months	32,566	25,156
	<b>93,425</b>	82,423

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

	2022 US\$'000	2021 US\$'000
At beginning of year	2,294	1,670
Impairment losses (note 6)	560	1,399
Amount written off as uncollectible	(546)	(783)
Effect of foreign exchange rate changes, net	(100)	8
At end of year	<b>2,208</b>	2,294

## 21. TRADE RECEIVABLES (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at December 31, 2022

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	1.8%	1.4%	2.2%	3.3%	2.3%
Gross carrying amount (US\$'000)	50,473	6,253	5,224	33,683	95,633
Expected credit losses (US\$'000)	887	91	113	1,117	2,208

As at December 31, 2021

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.2%	2.4%	15.0%	4.3%	2.7%
Gross carrying amount (US\$'000)	47,049	5,012	6,382	26,274	84,717
Expected credit losses (US\$'000)	98	119	959	1,118	2,294

## 22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 US\$'000	2021 US\$'000
Advances to suppliers	3,973	4,830
Deposits and other receivables	9,946	4,902
At end of year	13,919	9,732

The financial assets included in the above balances relate to receivables for which there was no recent history of default or past due amounts. As at December 31, 2022 and 2021, the loss allowance was assessed to be minimal.



## 23. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 US\$'000	2021 US\$'000
Foreign exchange forward contracts	(586)	695

## 24. CASH AND BANK BALANCES

	2022 US\$'000	2021 US\$'000
Cash and cash equivalents as stated in the consolidated statement of cash flows	74,793	124,920
Pledged bank balances	134	142
Term deposits with original maturity of more than three months	6,621	28,000
Cash and bank balances as stated in the consolidated statement of financial position	81,548	153,062

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of less than three months, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB41,418,941 (2021: RMB35,849,884). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 25. CONTRACT LIABILITIES

Details of contract liabilities as at December 31, 2022 and 2021 are as follows:

	2022 US\$'000	2021 US\$'000
<i>Short-term advances received from customers</i>		
Sale of goods and related services	5,952	8,924
Warranty services	8,423	6,114
	14,375	15,038
<i>Long-term advances received from customers</i>		
Warranty services	592	262
	14,967	15,300

Contract liabilities include short-term and long-term advances received to deliver products and render warranty services.

## 26. TRADE PAYABLES

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

	2022 US\$'000	2021 US\$'000
Within 1 month	8,524	10,141
1 to 2 months	3,642	2,321
2 to 3 months	93	295
Over 3 months	1,076	261
	<b>13,335</b>	<b>13,018</b>

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

## 27. OTHER PAYABLES AND ACCRUALS

	2022 US\$'000	2021 US\$'000
Payroll	25,308	26,140
Accrued expenses	13,146	12,659
Sales tax	1,101	804
Provision for legal claim	69	301
Others	1,753	1,153
	<b>41,377</b>	<b>41,057</b>

Other payables are non-interest-bearing.

## 28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	2022 Maturity	US\$'000	Effective interest rate (%)	2021 Maturity	US\$'000
Current						
Other borrowings	3.70-4.15	2023	5,743	3.85-4.15	2022	7,293
			<b>5,743</b>			<b>7,293</b>

The maturity of interest-bearing bank and other borrowings is within one year.

## 29. OTHER LONG-TERM LIABILITIES

	2022 US\$'000	2021 US\$'000
Employee benefit liabilities, net (note 30)	1,058	1,723
Others	237	322
	<b>1,295</b>	<b>2,045</b>

## 30. DEFINED BENEFIT OBLIGATIONS

The Group operates a defined benefit plan in respect of severance pay pursuant to Israel's Severance Pay Law. According to the law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index of Israel with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies (the "Plan Assets"). The Plan Assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. The Plan Assets are not available to the Group's own creditors and cannot be returned directly to the Group.

The liability for employee benefits shown in the consolidated statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets. Remeasurement of the net liability is recognized in other comprehensive income in the reporting period in which it occurs.

The most recent actuarial valuations of the Plan Assets and the present value of the defined benefit obligations were carried out on December 31, 2022 by Ogen, an Israeli actuarial company, using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2022	2021
Discount rate		
Employees	5.01%-5.17%	2.50%-2.85%
Officers	5.01%-5.17%	2.50%-2.85%
	<b>2022</b>	<b>2021</b>
Expected rate of salary increase		
Employees	1.5%-5.00%	1.5%-5.00%
Officers	1.5%-5.00%	1.5%-5.00%

The actuarial valuation showed that the market value of the Plan Assets was US\$6,852,000 as at December 31, 2022 (December 31, 2021: US\$7,698,000), and that the actuarial value of these assets represented 86.6% (December 31, 2021: 81.7%) of the benefits that had accrued to qualifying employees.

### 30. DEFINED BENEFIT OBLIGATIONS (Continued)

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

#### Employees

	2022 US\$'000	2021 US\$'000
Recorded liability	6,587	7,797
Discount rate changed to Adjusted liability	6.01%-6.17% 6,098	3.50%-3.85% 7,164
Discount rate changed to Adjusted liability	4.01%-4.17% 7,150	1.50%-1.85% 8,537
Expected rate of salary increase changed to Adjusted liability	2.5%-6.00% 6,870	2.50%-6.00% 8,251
Expected rate of salary increase changed to Adjusted liability	0.5%-4.00% 6,399	0.5%-4.00% 7,421

#### Officers

	2022 US\$'000	2021 US\$'000
Recorded liability	1,324	1,624
Discount rate changed to Adjusted liability	6.01%-6.17% 1,232	3.50%-3.85% 1,490
Discount rate changed to Adjusted liability	4.01%-4.17% 1,431	1.50%-1.85% 1,779
Expected rate of salary increase changed to Adjusted liability	2.5%-6.00% 1,422	2.50%-6.00% 1,765
Expected rate of salary increase changed to Adjusted liability	0.5%-4.00% 1,245	0.5%-4.00% 1,500

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

### 30. DEFINED BENEFIT OBLIGATIONS (Continued)

The total expenses recognized in the consolidated statement of profit or loss in respect of the plan are as follows:

	2022 US\$'000	2021 US\$'000
Current service cost	670	839
Net interest expense	51	41
<b>Net benefit expenses</b>	<b>721</b>	<b>880</b>
Recognized in cost of sales	325	419
Recognized in selling and distribution expenses	129	167
Recognized in administrative expenses	109	108
Recognized in research and development expenses	158	186
<b>Net benefit expenses</b>	<b>721</b>	<b>880</b>

The movements in the present value of the defined benefit obligations are as follows:

	2022 US\$'000	2021 US\$'000
At beginning of year	9,421	8,098
Current service cost	670	839
Net interest expense	51	41
Benefits paid	(477)	(802)
Return on plan assets	196	144
Loss/(gain) from actuarial changes in other comprehensive income	(829)	819
Effect of changes in foreign exchange rate	(1,121)	282
<b>At end of year</b>	<b>7,911</b>	<b>9,421</b>

The movements in the defined benefit obligations and the fair value of the Plan Assets are as follows:

#### For the year ended December 31, 2022

	Expenses recognized in profit or loss					Gain/(loss) from measurement in other comprehensive income						Balance at December 31, 2022 US\$'000
	Balance at January 1, 2022 US\$'000	Current service cost US\$'000	Net interest expense US\$'000	Total expense recognized in profit or loss for the year US\$'000	Payments from the plan US\$'000	Return on plan assets (excluding net interest expenses) US\$'000	Actuarial loss/(gain) arising from changes in financial assumptions US\$'000	Actuarial loss/(gain) arising from experience adjustments US\$'000	Total effect on other comprehensive income for the year US\$'000	Effect of changes in foreign exchange rates US\$'000	Acquisition and contributions by employer US\$'000	
Defined benefit obligations	9,421	670	51	721	(477)	196	(942)	113	(829)	(1,121)	-	7,911
Fair value of plan assets	7,698	-	-	-	(460)	196	-	(291)	(291)	(916)	626	6,853
<b>Net defined benefit liability</b>	<b>1,723</b>	<b>670</b>	<b>51</b>	<b>721</b>	<b>(17)</b>	<b>-</b>	<b>(942)</b>	<b>404</b>	<b>(538)</b>	<b>(205)</b>	<b>(626)</b>	<b>1,058</b>

### 30. DEFINED BENEFIT OBLIGATIONS (Continued)

The movements in the defined benefit obligations and the fair value of the Plan Assets are as follows: *(Continued)*

#### For the year ended December 31, 2021

	Expenses recognized in profit or loss					Gain/(loss) from measurement in other comprehensive income						
	should be Balance at January 1, 2021 US\$'000	Current service cost US\$'000	Net interest expense US\$'000	Total expense recognized in profit or loss for the year US\$'000	Payments from the plan US\$'000	Return on plan assets (excluding amounts included in net interest expenses) US\$'000	Actuarial loss/ (gain) arising from changes in financial assumptions US\$'000	Actuarial loss/(gain) arising from experience adjustments US\$'000	Total effect on other comprehensive income for the year US\$'000	Effect of changes in foreign exchange rates US\$'000	Acquisition and contributions by employer US\$'000	Balance at December 31, 2021 US\$'000
Defined benefit obligations	8,098	839	41	880	(802)	144	(90)	909	819	282	-	9,421
Fair value of plan assets	6,286	-	-	-	(788)	144	-	1,190	1,190	214	652	7,698
Net defined benefit liability	1,812	839	41	880	(14)	-	(90)	(281)	(371)	68	(652)	1,723

Expected contributions to the defined benefit plan in future years are as follows:

	2022 US\$'000	2021 US\$'000
Within the next 12 months	634	693

A maturity analysis of the expected payments for terminated employees is as follows:

	2022 US\$'000	2021 US\$'000
Within the next 12 months	1,258	1,381
Between 1 and 2 years	1,058	1,066
Between 2 and 5 years	1,867	1,846
Between 5 and 10 years	2,212	2,067
Over 10 years	8,074	6,037
	14,469	12,397

### 31. SHARE CAPITAL

#### Shares

	2022 US\$'000	2021 US\$'000
Authorised:		
1,000,000,000 (2021: 1,000,000,000) ordinary shares of NIS0.01 each	2,835	2,835
Issued and fully paid:		
467,292,609 (2021: 466,155,600) ordinary shares of NIS0.01 each	1,331	1,328

On August 30, 2017, in preparation for the listing in Hong Kong, the then shareholders of the Company passed a resolution to increase the authorized share capital of the Company from NIS10,000 comprising 1,000,000 shares of NIS0.01 each to NIS10,000,000 comprising 1,000,000,000 shares of NIS0.01 each.

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital US\$'000
At January 1, 2021	442,155,600	1,254
Placing of new shares (Note 1)	24,000,000	74
At December 31, 2021 and January 1, 2022	466,155,600	1,328
Placing of new shares (Note 2)	1,137,009	3
At December 31, 2022	467,292,609	1,331

Note 1: 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 places. 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. The total proceeds from issue of shares were US\$79,177,000. An amount of US\$74,000 was credited to share capital and an amount of US\$79,103,000 was credited to share premium.

Note 2: At November 22, 2022, 1,137,009 ordinary shares have been issued to certain RSU holders upon the vesting of RSUs. The accumulated reserve of US\$1,666,032 has been transferred out among which US\$3,232 has been recorded as share capital, and the rest has been recorded as capital premium. (note 34).

## 32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the financial statements.

### Other reserves

- (i) The Company has granted a share redemption option to the non-controlling shareholders of Nova. The share redemption option provides the holders the option to require the Company to purchase the shares held by the non-controlling shareholders at a determinable price after three years from the date of issuance of the option. On July 29, 2021, the share redemption option was exercised at the amount of US\$11.1 million. An amount of US\$1,059,000 was credited to other reserve.
- (ii) The Group has approved the adoption of the 2021 RSU Scheme and granted an aggregate of 4,619,550 Restricted Share Units ("RSUs"), representing an aggregate of 4,619,550 Shares to the employees of the Group with vesting periods from one to four years. An amount of US\$3,165,695 was credited to other reserve (2021: US\$294,000) and the accumulated reserve of US\$1,666,032 has been transferred out among which US\$3,232 has been recorded as share capital, and the rest has been recorded as capital premium. Please refer to note 34 for more details. (note 34).

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US\$8,468,000 and US\$8,468,000, respectively, in respect of lease arrangements for plant and motor vehicles (2021: US\$1,075,000 and US\$1,075,000).

### (b) Changes in liabilities arising from financing activities

2022

	Interest-bearing Bank borrowings US\$'000	Lease liabilities US\$'000
At January 1, 2022	7,293	34,328
Changes from financing cash flows	(1,513)	(4,982)
Finance costs	509	1,463
New leases	–	8,468
Effect of foreign exchange rate changes, net	(546)	(3,679)
At December 31, 2022	5,743	35,598



**33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)****(b) Changes in liabilities arising from financing activities (Continued)****2021**

	Interest-bearing Bank borrowings US\$'000	Lease liabilities US\$'000
At January 1, 2021	1,698	35,365
Changes from financing cash flows	(2,494)	(4,632)
Finance costs	518	1,487
New leases	–	1,075
Acquisition from a subsidiary	8,705	–
Effect of foreign exchange rate changes, net	(1,134)	1,033
At December 31, 2021	7,293	34,328

**(c) Total cash outflow for leases**

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 US\$'000	2021 US\$'000
Within operating activities	1,155	836
Within financing activities	4,982	4,632
	<b>6,137</b>	5,468

### 34. SHARE-BASED PAYMENTS

In order to attract, incentivize and motivate the employees of the Group, the Board approved the adoption of the 2021 RSU Scheme on September 9, 2021.

The maximum aggregate number of shares that may be issued under the RSU Scheme shall not exceed 22,107,780 Shares, representing 4.74% of the total number of issued Shares on the date of adoption.

On November 30, 2021, pursuant to the 2021 RSU Scheme, the Company granted an aggregate of 800,000 RSUs and 183,490 RSUs, representing 800,000 Shares and 183,490 Shares to Mr. Lior Moshe DAYAN and Mr. Doron Yannai, respectively with vesting periods from one to four years.

On December 2, 2021, pursuant to the 2021 RSU Scheme, the Company granted an aggregate of 3,636,060 RSUs, representing an aggregate of 3,636,060 Shares, to a total 68 eligible participants with vesting periods from one to four years.

As at January 1, 2022 and December 31, 2022, 17,488,230 RSUs were available for grant under 2021 RSU Scheme, respectively.

The following RSUs were outstanding under the 2021 RSU Scheme during the year:

	2022		2021	
	Weighted average subscription price US\$ per share	Number of shares	Weighted average subscription price US\$ per share	Number of shares
At 1 January	–	4,619,550	–	–
Granted during the year	–	–	–	4,699,550
Forfeited during the year	–	(250,437)	–	(250,437)
Exercised during the year	–	(1,137,009)	–	(80,000)
Expired during the year	–	–	–	–
At 31 December	–	3,232,104	–	4,619,550

The vesting dates of the RSUs as at the end of each reporting period are summarised as follows:

Number of shares	Exercise price US\$ per share	Vesting dates
245,873	–	November 30, 2023
245,873	–	November 30, 2024
245,873	–	November 30, 2025
909,015	–	December 2, 2023
909,015	–	December 2, 2024
909,015	–	December 2, 2025

### 34. SHARE-BASED PAYMENTS (Continued)

The aggregate fair value at the grant day of the free shares granted during the year ended December 31, 2021 amounted to approximately US\$6,766,802, all of which were supposed to be charged to profit or loss and the capital reserve as costs of share-based compensation from the date of grant to the date on which the unlocking conditions are fulfilled. The Group recognized an expense of US\$3,165,695 for the year ended December 31, 2022 (2021: US\$294,000).

At December 31, 2022, the 3,232,104 ordinary shares granted in the form of share units, which represented approximately 0.69% of the Company's shares in issue as at December 31, 2022, have not been registered as share capital of the Company yet and remained unvested.

### 35. COMMITMENTS

- (a) The Group did not have any significant capital commitments as at the end of the reporting period.
- (b) The Group had no lease contract that has not yet commenced as at December 31, 2022.

### 36. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with its related parties during the year:

	Notes	2022 US\$'000	2021 US\$'000
Associate of Fosun Pharma			
<u>Sales of goods</u>			
Shanghai Linkedcare Information Technology Co., Ltd	(1)	1,119	1,376
Subsidiary of Fosun Pharma			
<u>Sales of goods</u>			
Qianda (Tianjin) International Trade Co., Ltd		131	–
Major shareholder of the Company			
<u>Services received</u>			
Chindex (Beijing) International Trade Co. Ltd.	(2)	–	896

Notes:

- (1) During the year of 2022, the Group offered Shanghai Linkedcare Information Technology Co., Ltd. with products at market prices.
- (2) In 2021, Alma signed contracts with Chindex (Beijing) International Trade Co. Ltd (“Chindex”) in which Chindex will provide Alma with regulation services for registration in China. Alma paid US\$895,771 to Chindex for the year ended December 31, 2021.

### 36. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

	Notes	2022 US\$'000	2021 US\$'000
Associate of Fosun Pharma			
<u>Amounts due from related parties</u>			
<i>Trade receivables</i>			
Shanghai Linkedcare Information Technology Co., Ltd.		–	483
Subsidiary of Fosun Pharma			
<u>Amounts due from related parties</u>			
<i>Other long-term assets</i>			
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd	(3)	59,255	–
<u>Amounts due to related parties</u>			
<i>Interest-bearing bank and other borrowings</i>			
Qian Da Shanghai International Trading Company	(1)	–	6,274
Associate of Fosun Pharma			
<u>Amounts due to related parties</u>			
<i>Loans</i>			
Fosun Group Finance Corporation Limited*	(2)	5,014	1,019
<u>Amounts due from related parties</u>			
<i>Deposits</i>			
Fosun Group Finance Corporation Limited*	(4)	5,251	5,540

\* Fosun Group Finance Corporation Limited (“Fosun Finance”) is a licensed financial institution registered with the China Banking Regulatory Commission. Fosun Finance is a subsidiary of Shanghai Fosun High Technology (Group) Company Limited (“Fosun High Tech”).

Notes:

(1) The loan entrusted by Qianda International Trade (Shanghai) Co., Ltd., a subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd (“Fosun Pharma”) to Foshion from Bank of Beijing, Shanghai Branch, with an annual interest rate of 3.85% has been fully repaid in 2022. The interest expense was US\$136,853 for the year ended December 31, 2022 (2021: US\$152,260).

**36. RELATED PARTY TRANSACTIONS (Continued)**

- (b) Outstanding balances with related parties:
- (Continued)*

Notes: *(Continued)*

- (2) The loan at US\$1,019,000 provided by Fosun Finance, an associate of Fosun Pharma, with an annual interest rate of 4.15%, to Foshion has been fully repaid in 2022. In June of 2022, Fosun Finance provided a new loan at US\$5,007,368 to Foshion with an annual interest rate of 4.15%. The loan period is from June 27, 2022 to June 9, 2023. The total interest expense from the loan provided by Fosun Finance was US\$111,490 in 2022 (2021: US\$20,279).
- (3) On October 26, 2022, and December 15, 2022, respectively, Sisram Tianjin entered into a sublicense agreement and its amendments with Fosun Industrial, a subsidiary to Fosun Pharma, pursuant to which Sisram Tianjin agreed to sublicense from Fosun Industrial the relevant know-hows and patents of Daxxify, so as to, among other things, import, use, sell or commercialize the Daxxify in the PRC, Hong Kong SAR and Macau SAR. Daxxify is a research-based product and the first neuromodulator with long-acting duration. It is a new generation neuromodulator in development for the treatment of aesthetic indications and a number of potential therapeutic conditions. Revance Therapeutics, Inc. ("Revance"), the head licensor, has successfully obtained the Biologics License Application ("BLA") for the aesthetic indications of Daxxify from The Food and Drug Administration of the United States of America ("FDA") on September 8, 2022. Pursuant to the sublicense agreement, Sisram Tianjin has prepaid an amount of US\$59,255,000 to Fosun Industrial. The final approval of the sublicense agreement has been achieved by the extraordinary general meeting of the Company on February 9, 2023.
- (4) Included in the cash and bank balances, deposits of US\$5,251,421 (2021: US\$5,539,651) are deposited in Fosun Finance, an associate of Fosun Pharma.
- (c) Compensation of key management personnel of the Group:

	2022 US\$'000	2021 US\$'000
Salaries, allowances and benefits in kind	1,318	1,879
Performance related bonuses	1,023	3,727
Equity-settled share base payments	97	90
<b>Total compensation paid to key management personnel</b>	<b>2,438</b>	<b>5,696</b>

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

### 37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

#### 2022

##### Financial assets

	Financial assets at fair value through profit or loss			Total US\$'000
	Designated as such upon initial recognition US\$'000	Held for trading US\$'000	Financial assets at amortized cost US\$'000	
Derivative financial instruments	–	–	–	–
Other non-current assets	–	–	10,639	10,639
Trade receivables	–	–	93,425	93,425
Financial assets included in prepayments, deposits and other receivables	–	–	3,335	3,335
Cash and bank balances	–	–	81,548	81,548
	–	–	188,947	188,947

##### Financial liabilities

	Financial liabilities at fair value through profit or loss			Total US\$'000
	Designated as such upon initial recognition US\$'000	Held for trading US\$'000	Financial assets at amortized cost US\$'000	
Derivative financial instruments	–	586	–	586
Trade payables	–	–	13,335	13,335
Financial liabilities included in other payables and accruals	–	–	14,968	14,968
Interest-bearing bank borrowings	–	–	5,743	5,743
Lease liabilities	–	–	35,598	35,598
		586	69,644	70,230

**37. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

**2021****Financial assets**

	Financial assets at fair value through profit or loss		Financial assets at amortized cost US\$'000	Total US\$'000
	Designated as such upon initial recognition US\$'000	Held for trading US\$'000		
Derivative financial instruments	–	695	–	695
Other non-current assets	–	–	6,037	6,037
Trade receivables	–	–	82,423	82,423
Financial assets included in prepayments, deposits and other receivables	–	–	2,758	2,758
Cash and bank balances	–	–	153,062	153,062
	–	695	244,280	244,975

**Financial liabilities**

	Financial liabilities at fair value through profit or loss		Financial assets at amortized cost US\$'000	Total US\$'000
	Designated as such upon initial recognition US\$'000	Held for trading US\$'000		
Trade payables	–	–	13,018	13,018
Financial liabilities included in other payables and accruals	–	–	14,113	14,113
Interest-bearing bank borrowings	–	–	7,293	7,293
Lease liabilities	–	–	34,328	34,328
	–	–	68,752	68,752



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

As at December 31, 2022 and 2021, 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 financial institutions in 2022. 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.



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

#### 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 December 31, 2021

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant Observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Derivative financial instruments	–	695	–	695

Liabilities measured at fair value:

As at December 31, 2022

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant Observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Derivative financial instruments	–	586	–	586

The movements in fair value measurements within Level 3 during the year are as follows:

	2022 US\$'000	2021 US\$'000
Amounts included in other payable and accruals:		
At January 1	–	11,265
Addition	–	–
Decrease	–	(11,265)
At December 31	–	–

During the year, 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 (2021: Nil).



### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the reporting period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

#### **Interest rate risk**

The Group's exposure to interest rate risk relates principally to the Group's interest-bearing bank borrowings with floating interest rates. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

All of the Group's interest-bearing bank and other borrowings bore interest at fixed rates as at December 31, 2022 and 2021.

#### **Foreign currency risk**

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Foreign currency risk (Continued)

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (arising from NIS, HKD and EUR denominated financial instruments).

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax US\$'000
<b>For the year ended December 31, 2022</b>		
If US\$ strengthens against HKD	5	(1,585)
If US\$ weakens against HKD	(5)	1,585
If US\$ strengthens against EUR	5	(850)
If US\$ weakens against EUR	(5)	850
If US\$ strengthens against CAD	5	(206)
If US\$ weakens against CAD	(5)	206
<b>For the year ended December 31, 2021</b>		
If US\$ strengthens against NIS	5	(2,474)
If US\$ weakens against NIS	(5)	2,474
If US\$ strengthens against EUR	5	(231)
If US\$ weakens against EUR	(5)	231
If US\$ strengthens against CAD	5	(190)
If US\$ weakens against CAD	(5)	190

#### Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group applies the simplified approach in assessing ECLs for trade receivables.

#### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at December 31.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Maximum exposure and year-end staging (Continued)

As at December 31, 2022

	12-month ECLs	Lifetime ECLs			Total US\$'000
	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 US\$'000	Simplified approach US\$'000	
Trade and receivables*	–	–	–	95,633	95,633
Other non-current assets					
– Not yet past due	10,639	–	–	–	10,639
Financial assets included in prepayments, other receivables and other assets					
– Normal**	9,946	–	–	–	9,946
Cash and cash equivalents					
– Not yet past due	81,548	–	–	–	81,548
	<b>102,133</b>	<b>–</b>	<b>–</b>	<b>95,633</b>	<b>197,766</b>

As at December 31, 2021

	12-month ECLs	Lifetime ECLs			Total US\$'000
	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 US\$'000	Simplified approach US\$'000	
Trade and receivables*	–	–	–	84,717	84,717
Other non-current assets					
– Not yet past due	6,037	–	–	–	6,037
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,758	–	–	–	2,758
Derivative financial instruments					
– Not yet past due	695	–	–	–	695
Cash and cash equivalents					
– Not yet past due	153,062	–	–	–	153,062
	<b>162,552</b>	<b>–</b>	<b>–</b>	<b>84,717</b>	<b>247,269</b>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Maximum exposure and year-end staging *(Continued)*

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. As at December 31, 2022, the Group had certain concentrations of credit risk as 4.8% of the Group's trade receivables were due from the Group's largest customer (2021: 13.9%), and 13.2% of the Group's trade receivables were due from the five largest customers (2021: 30.7%).

#### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance from shareholders. As at December 31, 2022, 100% of all the Group's borrowings would mature in less than one year (2021: 100% of all the Group's borrowings would mature in less than one year), based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

#### December 31, 2022

	On demand US\$'000	Less than 3 months US\$'000	3 to less than 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Trade payables	13,335	–	–	–	–	13,335
Financial liabilities included in other payables and accruals	14,968	–	–	–	–	14,968
Interest-bearing bank borrowings	–	1,837	4,019	–	–	5,856
Lease liabilities	–	1,137	3,364	16,036	29,976	50,513
	<b>28,303</b>	<b>2,974</b>	<b>7,383</b>	<b>16,036</b>	<b>29,976</b>	<b>84,672</b>

#### December 31, 2021

	On demand US\$'000	Less than 3 months US\$'000	3 to less than 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Trade payables	13,018	–	–	–	–	13,018
Financial liabilities included in other payables and accruals	14,113	–	–	–	–	14,113
Interest-bearing bank borrowings	–	–	7,580	–	–	7,580
Lease liabilities	–	1,138	3,393	12,356	31,905	48,792
	<b>27,131</b>	<b>1,138</b>	<b>10,973</b>	<b>12,356</b>	<b>31,905</b>	<b>83,503</b>



### **39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

#### **Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank borrowings, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests.

As at December 31, 2022 and 2021, the Group's cash and cash equivalents exceeded the total debt. As such, no gearing ratio as at December 31, 2022 and 2021 was presented.

### **40. EVENT AFTER THE REPORTING PERIOD**

The final approval for the sublicense agreement of Daxxify between Sisram Tianjin and Fosun Industrial has been granted by the extraordinary general meeting of the Company on February 9, 2023.

### **41. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorized for issue by the board of directors on March 21, 2023.

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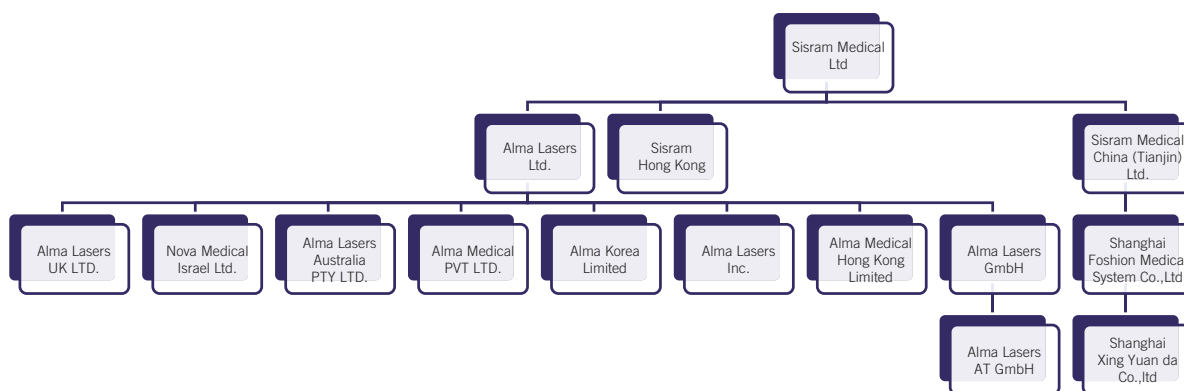
## 1. ABOUT THIS REPORT

This report (“Report”) covers the environmental and social impacts of Sisram Medical Ltd in 2022 and highlights its efforts to inspire health and well-being of people and the wider community.

### Reporting Boundary

The reporting boundary of this Report includes the Sisram Medical Ltd and all of its subsidiaries (collectively “Sisram Medical” “We” “the Group”), which is consistent with the reporting boundary in the 2022 Annual Report of the Group.

The following simplified corporate structure of the Group shows the subsidiaries which are mentioned above.



The abbreviations in the Report are explained as followed:

Company Name	Abbreviation
Sisram Medical Ltd	Sisram Medical
Alma Lasers Ltd.	Alma Lasers
Nova Medical Israel Ltd.	Nova Medical
Sisram Medical China (Tianjin) Ltd.	Sisram Medical China
Shanghai Xing Yuan da Co., Ltd	Xing Yuan da
Alma Lasers Inc.	Alma Inc.
Alma Lasers GmbH	Alma GmbH

### Reporting Period

The information disclosed in this Report is from January 1 2022 to December 31 2022 (hereafter “reporting period”). Some statements and figures may be dated back to previous years.

The Group established Alma Lasers UK Ltd in May 2022. The ESG data and information in the Report are referenced from the archived questionnaires, records and statistics of Sisram Medical excluding Alma Lasers UK Ltd.



## 1. ABOUT THIS REPORT (Continued)

### Reporting Framework

The Group prepared this Report in accordance with the Environmental, Social and Governance Reporting Guide (2019 Edition) (the “ESG Reporting Guide”) published by The Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange).

This is the Group’s sixth Environmental, Social and Governance (hereinafter referred to as “ESG”) report, with the most recent ESG report being the 2021 ESG Report that was published in May 2022.

### Reporting Principles

- Materiality

Based on the principle of materiality, this Report analyzes substantive concerns and submits it to the board of directors for deliberation to ensure full disclosure of information that has a significant impact on investors and other stakeholders.

- Quantitative

Based on the quantitative principle, this Report presented statistics on ESG quantitative performance and disclosed 3-year historical data.

- Balance

Based on the principle of balance, this Report provided complete and clear disclosure of the Group’s ESG practices, thereby avoiding selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

- Consistency

Based on the principle of consistency, this Report employed a consistent methodology and provided clear explanations on the calculation formula and statistical caliber of ESG quantitative performance, so that meaningful ESG performance comparison can be achieved in the future.

## 2. ESG GOVERNANCE OVERVIEW




### 2.1 Board Statement on ESG

Our ESG Approach

As a leading global provider of energy-based medical aesthetic treatment systems, we strive to “Enhance Quality of Life” through our business with our solid corporate and ESG governance.

Our ESG strategy focuses on three main pillars – People, Planet and Practice, where we are well-positioned to address the ESG issues that matter most to our stakeholders both in the short and long terms.

#### Our ESG Strategy

Three Pillars		Short-term Perspective (3-5 years)	Long-term Perspective (5-10 years)
 <b>Planet</b>	Environment	<ul style="list-style-type: none"> <li>Strive to improve our operational efficiencies and reduce environmental footprint</li> <li>Work to mitigate our products’ life-cycle environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Support domestic and international advocacy of environmental protection and climate change mitigation and encourage our business partners to do the same</li> </ul>
	 <b>People</b>	Employees <ul style="list-style-type: none"> <li>Promote workforce diversity, inclusion and engagement</li> <li>Invest in our employees’ career development</li> <li>Achieve a zero-harm workplace and improve employee well-being</li> </ul>	<ul style="list-style-type: none"> <li>Satisfy the Group’s future demand for talent by continuing to invest in talent recruitment and development and provide competitive compensation and benefit packages</li> </ul>
	Community	<ul style="list-style-type: none"> <li>Carry out community engagement initiatives focusing on health and social well-being</li> </ul>	<ul style="list-style-type: none"> <li>Enable people from all corners of the world to enjoy accessible and affordable healthcare services</li> </ul>
 <b>Practices</b>	Products & Services	<ul style="list-style-type: none"> <li>Continue improving our product stewardship to the full satisfaction of domestic and global customers</li> </ul>	<ul style="list-style-type: none"> <li>Provide the best-quality products to help people live younger and better</li> </ul>
	Supply Chain	<ul style="list-style-type: none"> <li>Use supply-chain management system to effectively mitigate our environmental and social risks from our suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Conduct supplier audits on environmental and social performance such as carbon footprint, labor management, etc.</li> </ul>
	Business Ethics	<ul style="list-style-type: none"> <li>Ensure that our employees conduct business with integrity and in compliance with relevant laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Forster a culture of integrity and the highest ethical behavior</li> </ul>

The Group has identified ESG-related goals and targets regarding water efficiency, energy efficiency, greenhouse gas (“GHG”) emission and hazardous and non-hazardous waste reduction. Our board of directors constantly reviews ESG performances and monitors progress against ESG goals, reinforcing our commitments, actions and contributions in shaping a better future for the planet.

## 2. ESG GOVERNANCE OVERVIEW (Continued)

### 2.1 Board Statement on ESG (Continued)

Our ESG Approach (Continued)

#### Our ESG-related Targets and Progress

Targets		Progress in 2022
<b>Water Efficiency</b>	Continue to take measures to keep water consumption at a relatively low level	In 2022, Alma Lasers and Sisram Medical China have continued conserving water in office building via using recycled water and low-volume water equipment
<b>Energy Efficiency</b>	Reduce electricity consumption intensity to 7.88 kWh/US\$1,000 of sales, which indicates a 20% reduction compared with 2020	<ul style="list-style-type: none"> <li>In 2022, total electricity intensity of Alma Lasers reached 4.08 kWh/US\$1,000 of sales, indicating 58% reduction compared with 2020</li> <li>In 2022, electricity consumption intensity of Sisram Medical China reached 13.66 kWh/US\$1,000 due to longer reporting period. Sisram Medical China has been conducting save-energy campaigns to improve energy efficiency</li> </ul>
<b>Greenhouse Gas Emission</b>	Reduce GHG emissions intensity to 9.19 kgCO <sub>2</sub> -eq/US\$1,000 of sales, which indicates a 17% reduction compared with 2020	<ul style="list-style-type: none"> <li>In 2022, GHG emissions intensity of Alma Lasers reached 4.90 kgCO<sub>2</sub>-eq/US\$1,000 of sales</li> <li>In 2022, GHG emissions intensity of Sisram Medical China reached 8.0 kgCO<sub>2</sub>-eq/US\$1,000 of sales</li> </ul>
<b>Hazardous and Non-Hazardous Waste Reduction</b>	Continue to reduce hazardous and non-hazardous waste production through source reduction, reusing and recycling	<ul style="list-style-type: none"> <li>In 2022, non-hazardous waste production of Alma Lasers was 1.3 tons, indicating 21% reduction compared to 2021</li> <li>In 2022, non-hazardous waste production of Sisram Medical China was 1.18 tons. Sisram Medical China has been conducting reduction, reusing and recycling campaigns to advocate non-hazardous waste reduction</li> </ul>



## 2. ESG GOVERNANCE OVERVIEW (Continued)

### 2.2 ESG Governance Structure

We believe that solid cooperate and ESG governance are fundamental to effective ESG management, which requires involvement of all employees.

The Group integrates ESG concepts into Group culture and daily operations, and has established a top-down ESG governance structure to ensure that our ESG strategy and commitments are embedded in the organization and throughout the business. The board of directors has overall oversight and ultimate responsibility for the Group’s ESG issues.

**Our ESG Governance Structure**



## 2. ESG GOVERNANCE OVERVIEW (Continued)

### 2.2 ESG Governance Structure (Continued)

Our ESG Governance Structure (Continued)

<p><b>Board of Directors</b></p>	<p>The board oversees the execution of the Group’s ESG strategy. Specific duties shall include:</p> <ul style="list-style-type: none"> <li>a) Identify and monitor ESG risks and opportunities relevant to the Group’s operations</li> <li>b) Discuss the ESG risk management and internal control matters with management to ensure that management has performed its duty to have effective systems</li> <li>c) Strategize ESG management with business growth</li> <li>d) Review and approve the Group’s overall ESG strategy, prioritized ESG topics and ESG goals</li> <li>e) Oversee the Group’s work progress on ESG goals at least on a yearly basis</li> <li>f) Review the Group’s annual ESG reports, etc.</li> </ul>
<p><b>ESG Working Group</b></p>	<p>The ESG working group reports to the board, comprising senior management who have sufficient knowledge of current and emerging ESG matters as well as the Group’s operations. Its duties shall include:</p> <ul style="list-style-type: none"> <li>a) Set ESG goals and provide the strategic direction for the Group’s ESG practices</li> <li>b) Conduct materiality analysis to prioritize ESG topics</li> <li>c) Prepare annual ESG reports to be reviewed by the board</li> <li>d) Identify and evaluate ESG risks relevant to the Group’s operations on an annual basis, and regularly update the board on such risks as well as recommendations and follow-up measures</li> <li>e) Other duties delegated to it by the board</li> </ul>



## 2. ESG GOVERNANCE OVERVIEW (Continued)

### 2.3 Stakeholders Engagement

Sisram Medical actively engages with a wide range of stakeholders regarding ESG issues as described in 2.4 Materiality Issue Assessment. Methods of engagement help build constructive communication and healthy relationships between stakeholders and Sisram Medical.

Sisram Medical defines its stakeholders to be individuals and organizations who can impact or be impacted by its operations. Sisram Medical’s stakeholders include shareholders, governments and regulatory bodies, employees, suppliers, communities, etc.

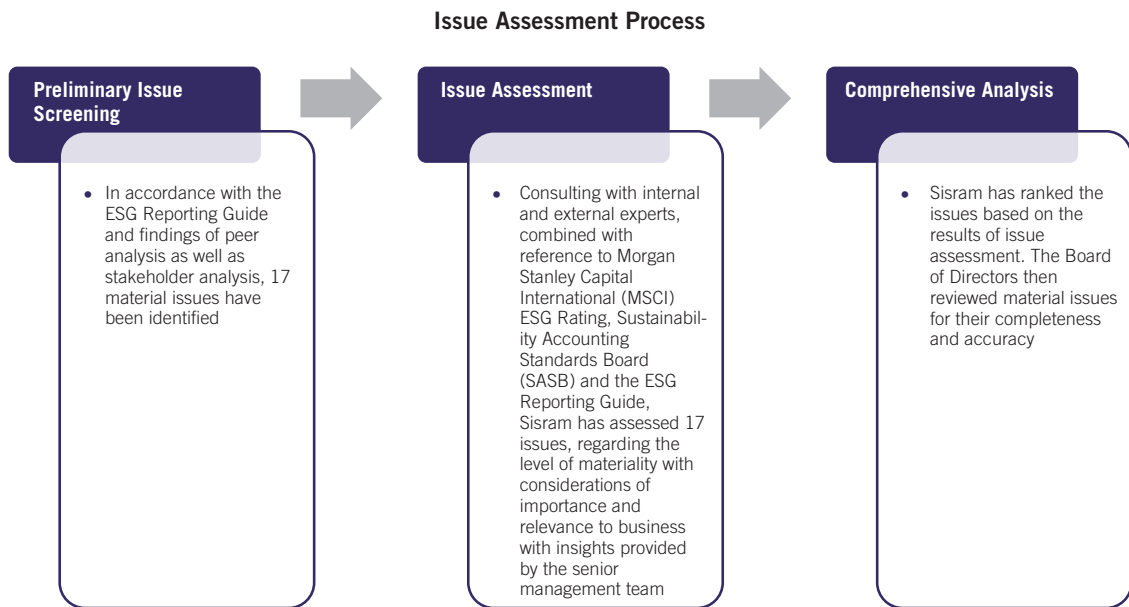
Stakeholders	Methods of Engagement	Materiality Issue
Shareholder	<ul style="list-style-type: none"> <li>⌵ Shareholder meetings</li> <li>⌵ Information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>⌵ Compliance</li> </ul>
Governments and Regulatory Bodies	<ul style="list-style-type: none"> <li>⌵ Information disclosure</li> <li>⌵ Supervision and inspection, etc.</li> </ul>	<ul style="list-style-type: none"> <li>⌵ Compliance</li> <li>⌵ Anti-Corruption</li> <li>⌵ Use of Resource</li> <li>⌵ Environmental Protection</li> <li>⌵ Emission and Waste Management</li> </ul>
Customers	<ul style="list-style-type: none"> <li>⌵ Annual satisfaction surveys</li> <li>⌵ Communication with customer service representatives, etc.</li> </ul>	<ul style="list-style-type: none"> <li>⌵ Product Health and Safety</li> <li>⌵ Technological Innovation</li> <li>⌵ Satisfaction and Communication</li> <li>⌵ Customer Information Security and Privacy Protection</li> <li>⌵ Selling Practices &amp; Product Labelling</li> <li>⌵ Product Design and Lifecycle Management</li> </ul>
Employees	<ul style="list-style-type: none"> <li>⌵ Communicate Group strategy through presentations, videos and articles</li> <li>⌵ Training activities, etc.</li> </ul>	<ul style="list-style-type: none"> <li>⌵ Labor Practices</li> <li>⌵ Health and Safety</li> <li>⌵ Development and training</li> <li>⌵ Inclusion and Diversity</li> </ul>
Suppliers & Distributors	<ul style="list-style-type: none"> <li>⌵ Supplier management policy</li> <li>⌵ Annual supplier audit, etc.</li> </ul>	<ul style="list-style-type: none"> <li>⌵ Anti-corruption</li> <li>⌵ Supply Chain Management</li> </ul>
Communities	<ul style="list-style-type: none"> <li>⌵ Corporate charitable activities</li> </ul>	<ul style="list-style-type: none"> <li>⌵ Community Investment</li> </ul>

## 2. ESG GOVERNANCE OVERVIEW (Continued)

### 2.4 Materiality Issue Assessment

Every year, the Group conducts assessments to identify the most relevant ESG issues to business operation via policy benchmarking, industrial research and peer analysis.

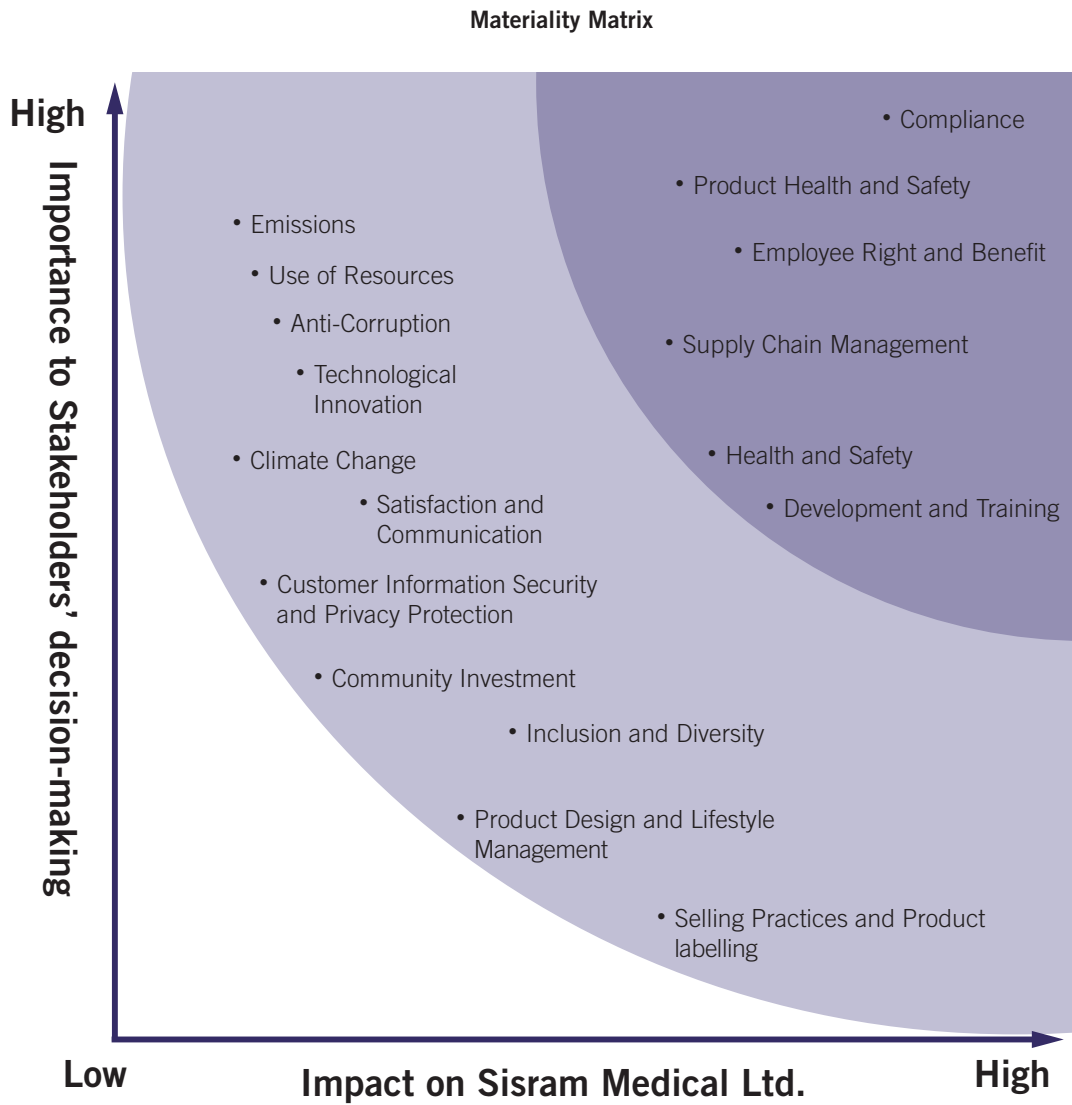
To ensure the effectiveness of the Group's ESG strategy, the board oversees the materiality analysis process and determines which ESG issues are sufficiently important to investors and other stakeholders.



## 2. ESG GOVERNANCE OVERVIEW (Continued)

### 2.4 Materiality Issue Assessment (Continued)

In 2022, the Group identified 17 material issues that are important to our stakeholders. In this Report, we have addressed all ESG issues that are material to the Group.





## 2. ESG GOVERNANCE OVERVIEW (Continued)

### 2.4 Materiality Issue Assessment (Continued)


#### Statement of Adjustments on Material Issues

2022 ESG Issue	Description	Status	Statement of Adjustment
<b>Product Design &amp; Lifecycle Management</b>	The issue addresses the incorporation of ESG considerations into products and services provided or sold by the Group, including managing lifecycle impacts of products and services, such as those related to packaging, distribution, use-phase resource intensity, and other environmental and social externalities that may occur during their use-phase or at the end of life	Added	New issue as it is increasingly important to Sisram Medical's ESG goals and contributions to climate change
<b>Inclusion and Diversity</b>	Companies are evaluated on their management and policies of diversity and inclusion in workplace	Added	New issue as it is increasingly important to Sisram Medical's ESG goals and values
<b>Selling Practices &amp; Product Labelling</b>	Companies are evaluated on their management of marketing practices to ensure information accuracy and appropriateness	Added	New issue as it is increasingly important to Sisram Medical's stakeholders
<b>Compliance</b>	Companies are evaluated on their corporate governance and business practices on ownership & control, and risk management	Restated	Sisram Medical redefined the issues
<b>Employee Right and Benefit</b>	Companies are evaluated on the complexity of their workforce (size, labor intensity, and regions of operation), the relationship between management and labor, the strength of worker protections, and their employee engagement efforts	Restated	Sisram Medical redefined the issues
<b>Economic Performance</b>	Companies are evaluated on the transparency, independence and effectiveness of their audit and financial reporting practices	Deleted	It is decreasing important to Sisram Medical's stakeholders



### 3. SAFEGUARDING ENVIRONMENT

At Sisram Medical, we have made an explicit commitment to continuously promote and pursue environmentally friendly, energy-efficient and low-carbon operations throughout the lifecycle of our products and services.

Safeguarding Environment at a Glance	
<b>Why is this important ?</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> As natural resources are depleted, sustainability becomes essential throughout the entire process of purchasing, developing, manufacturing, distributing, using, and disposing of products</li> <li><input type="checkbox"/> According to the <i>Global Risk Report 2021</i> published by the World Economic Forum, climate change continues to be a catastrophic risk</li> </ul>
<b>The Group's Approach</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Set up targets and goals in water efficiency, energy use efficiency, hazardous and non-hazardous reduction and GHG emission</li> <li><input type="checkbox"/> Assess climate-related risks and opportunities, and work to mitigate impact on the climate</li> <li><input type="checkbox"/> Integrate sustainability management into the entire product lifecycle</li> <li><input type="checkbox"/> Reduce operational environmental footprint via a wide variety of initiatives such as waste management, sustainable use of resources, etc.</li> </ul>
<b>Performance Highlights</b>	<p><b>0%</b> Violations or penalties of environmental protection laws and regulations*</p> 

Note: Data scope: the Group

#### 3.1 Emission

Sisram Medical is a leading global provider of energy-based medical aesthetic treatment systems. Our process consists of product design, research and development (R&D), raw materials procurement, assembly of semi-finished products, as well as calibration, integration, customization, and testing. For a substantial majority of the main consoles of our treatment systems and almost all applicators for our treatment systems, the production process of the semi-finished product is conducted in-house at the production facilities in Caesarea, Israel. Small portions of certain products involve production and assembly in Germany and mainland China. Our operation is not manufacture-intensive and thereby we do not generate air emission and wastewater from production.

For Sisram Medical, dealing with materials sustainably means avoiding and reducing waste wherever possible, collecting recyclables separately and disposing of hazardous waste in legally compliant and environmentally compatible ways. At Sisram Medical, we implement established *Procedures in Waste Management*, advocating the 3Rs (*Reduce, Recycle Reuse,*) principles and paperless office to minimize our non-hazardous waste generation.

### 3. SAFEGUARDING ENVIRONMENT (Continued)

#### 3.1 Emission (Continued)

##### 3Rs Principles in implementation at Sisram Medical

Reduce	Recycle	Reuse
<ul style="list-style-type: none"> <li>Advocating paperless office via installing web-based office system to minimize office paper use</li> <li>Distribute e-copy of files as much as possible</li> </ul>	<ul style="list-style-type: none"> <li>Entrust qualified third party to recycle paper and paperboard</li> </ul>	<ul style="list-style-type: none"> <li>Set duplex printing as the default mode for most network printers</li> <li>Reuse paperboard for packaging and distribution</li> </ul>

Sisram Medical’s operation is not manufacture-intensive with limited generations of hazardous waste. We comply with legal requirements to transport and dispose of hazardous waste solely through officially authorize disposal agents. The main category of hazardous is scrap metal powder.

##### Emissions and Waste Generation in 2022

Types of Emission & Waste	Alma Lasers	Sisram Medical China	Taken Measures
Air Emission	Vehicle Emission	Vehicle Emission	<ul style="list-style-type: none"> <li>Advocating green transportation</li> <li>Using energy-efficiency LED lights</li> <li>Using solar panel to power operations</li> </ul>
Non-Hazardous Waste	Plastic, Office Paper, Paper Board	Household Waste, Office Paper, Paper Board	<ul style="list-style-type: none"> <li>Set duplex printing as the default mode for most network printers and disseminate information by electronic means as far as possible</li> <li>Printed paper not in use is collected by an authorised recycling group</li> </ul>
Hazardous Waste	–	Scrap Metal Powder	<ul style="list-style-type: none"> <li>Entrusting qualified entities for the disposal of such wastes</li> </ul>

In 2022, there were no investigations targeting the Group by any environmental protection authorities for environmental violations; nor has it been subject to major administrative or criminal penalties, or urged by the relevant government departments.



### 3. SAFEGUARDING ENVIRONMENT (Continued)

#### 3.2 Use of Resources

##### Energy

Based on the principle of reducing energy consumption, the Group has established *Energy Policy* and actively adopted various energy-saving measures to continuously improve the energy efficiency and, thus, reduce GHG emission.

In 2022, the total energy consumption of Sisram Medical includes electricity usage in office and manufacturing activities and vehicle fuels (diesel, gasoline) usage in motor vehicles. Buildings in Israel are also powered by solar panel. Additionally, subsidiaries' offices have installed energy-efficient LED lights to reduce total energy consumption collectively.

Compared to previous year, total energy consumption density was 10.99KWh/US'000 of sales, including electricity, diesel and gasoline, indicating 18% reduction compared to 2021 (2021:13.47 KWh/US'000 of sales) due to proactive measures on energy saving and usages of green energy.

Resource Type	Targets	Policies	Taken Measures
<b>Energy</b>	Reduce electricity consumption intensity to 7.88 kWh/US\$1,000 of sales, which is a 20% reduction compared with 2020	The Group established policies on efficient use of energy, such as <i>Energy Policy</i>	<ul style="list-style-type: none"> <li>• Use energy-efficient LED lights.</li> <li>• Automatic control to turn off lights and air conditioners after working hour</li> <li>• Equipment renewal and renovation</li> <li>• Use green energy sourcing such as solar polar</li> </ul>

##### Water and Packaging Materials

Sisram Medical uses water provided by utilities, primarily for sanitary services and kitchen, with no inappropriate behaviors in gaining access to or using it. Our manufacturing processes do not require significant amounts of water. In our ESG targets, we therefore mainly focus on conserving water in office building via using recycled water and low-volume water equipment. We have established management policies on use of water and actively implemented resource saving measures during our daily operation to minimize our impact on natural resources.

Sisram Medical has used packaging materials for finish products such as plastic suitcases, paper boxes, etc. we aim to reduced materials used in products via recycling and reuse paperboard.

Resource Type	Targets	Taken Measures
<b>Water</b>	Continue to take measures to keep water consumption at a relatively low level	<ul style="list-style-type: none"> <li>• Fix dripping taps immediately</li> <li>• Determine water requirements for each facility and check usage frequently</li> </ul>
<b>Packaging Materials</b>	Continue to reduce hazardous and non-hazardous waste production through source reduction, reusing and recycling	<ul style="list-style-type: none"> <li>• Packaging materials not in use are collected and recycled by authorized companies</li> </ul>

### 3. SAFEGUARDING ENVIRONMENT (Continued)

#### 3.3 Climate Change

Climate change is one of the biggest challenges of our time, requiring prompt and effective actions from all stakeholders. Sisram Medical acknowledges its responsibility and is committed to reducing its GHG footprint with 17% GHG reduction by 2025. We are also driven to further reduce our scope 3 emission across value chain. Our strategy includes a steady increase in the energy efficiency of our operations, integrating environmentally friendly energy sourcing and solar panel power generation. Sisram Medical has installed energy-efficiency LED lights in office. Likewise, buildings in Israel are powered by solar panels.

We recognize that climate change is vital to our business operation and therefore undertake a Task Force on Climate-Related Financial Disclosures (“TCFD”)-based scenario analysis to obtain greater insights of potential future risks and opportunities. It will enable us to strengthen our resilience to physical climate related risks and achieve low-carbon operation.

#### Our Climate Change Management

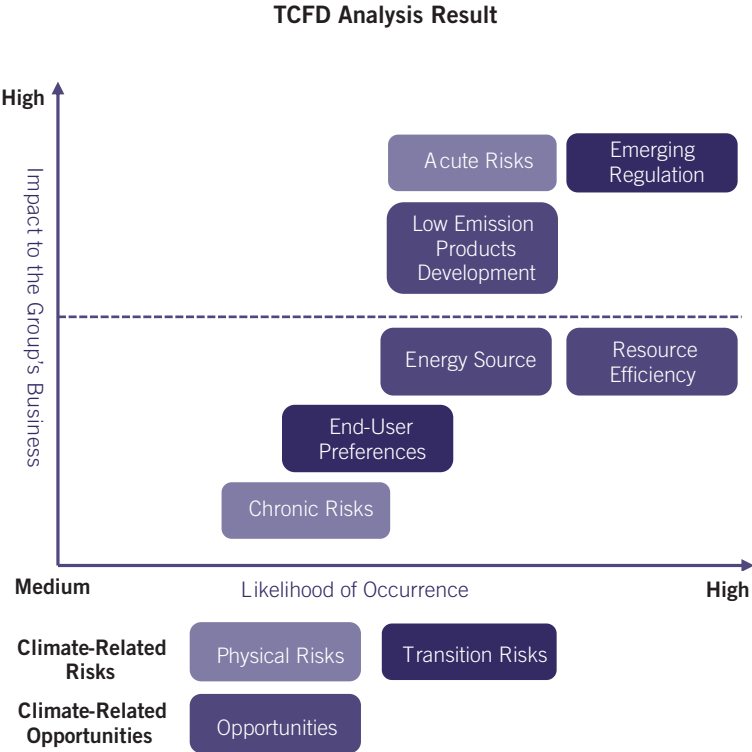
<b>Governance</b>	The ESG Working Group collaborates with functional departments across the organization such as the department of operations to identify material ESG issues and oversees the Group’s performance related to those issues.
<b>Strategy</b>	For the major risks and opportunities identified, the Group evaluate their corresponding potential impacts on our operations and finance; The Group carries out management measures in terms of clean operation and eco-conscious products.
<b>Risk Management</b>	The Group identifies potential risks and opportunities in our operations in line with the TCFD framework.
<b>Performance</b>	The Group sets up climate-related target. The Group discloses GHG emission and GHG emission intensity in ESG Report every year to evaluate its performance and make improvement plans.

The Group identifies and assesses climate-related risks and opportunities against two major criteria: the potential impact to the Group’s business operation and the likelihoods of occurrence of such risks and opportunities, and works to mitigate the impact of its operation on the climate accordingly.



### 3. SAFEGUARDING ENVIRONMENT (Continued)

#### 3.3 Climate Change (Continued)



### 3. SAFEGUARDING ENVIRONMENT (Continued)

#### 3.3 Climate Change (Continued)

##### TCFD Analysis: Risks and Opportunities

Types	Climate-Related Risks & Opportunities	Potential Financial Impacts	Management Practices
Transitional risks	<b>Emerging regulation</b> Governments across the globe are establishing eco-design regulations. Not meeting the highest standards will eventually result in decreased sales.	Decreased sales	<ul style="list-style-type: none"> <li>Integrate environmental factors into the product design process</li> </ul>
	<b>End-user preferences</b> Growing demand from patients and users of eco-friendly products and services could pose marketing risk to the Group's business.	Decreased revenues due to reduced demand for products and services	
Physical risks	<b>Acute physical risks</b> Increased severity and frequency of extreme weather events such as cyclones & floods could materially harm the Group's business.	Increased indirect (operating) costs	<ul style="list-style-type: none"> <li>Identify and assess external safety risk factors and work to mitigate them via a variety of health and safety measures</li> </ul>
	<b>Chronic physical risks</b> Long-term changes such as sea level rises and excessive heat due to climate change.	Increased indirect (operating) costs	
Opportunities	<b>Energy source</b> The opportunity in the transition towards renewable energy sources in operations would help avoid additional operational costs due to the expected implementation of carbon taxes.	Reduced indirect (operating) costs	<ul style="list-style-type: none"> <li>Take measures to reduce energy consumption, such as using energy saving LED lights, automatic control to turn off light and air conditioners after working hours etc.</li> <li>Design products that consume less energy</li> </ul>
	<b>Low emission products development</b> The Group expects an increased demand for energy efficient products and solutions in the coming years. Development of low emission products and services will help the Group grow its business in those markets.	Increased revenues resulting from increased demand for products and services	



### 4. PUTTING PEOPLE FIRST

The successes of Sisram Medical are not only from our innovative solutions but also from our people and our culture. Across our subsidiaries and operations, we are committed to increase our employees’ wellbeing and engagements in a work environment, which embraces diversity, inclusive and opportunity.

Putting People First at a Glance			
<b>Why is this important ?</b>	<input type="checkbox"/> Socially conscious employees want fulfilling careers with social, economic and environmental values. <input type="checkbox"/> Healthy, prosperous, and dynamic human resource development brings positive momentum to the business, increasing the likelihood of success.		
<b>The Group’s Approach</b>	<input type="checkbox"/> Recruit, retain, and cultivate talents to enable business success. <input type="checkbox"/> Providing a diverse, inclusive, and caring workplace to ensure employees’ health, safety and happiness. <input type="checkbox"/> Building a cohesive team culture to promote employee engagement and satisfaction. <input type="checkbox"/> Engage employees through donations and volunteerism to achieve meaningful outcomes and impacts on the community.		
<b>Performance Highlights</b>	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; text-align: center;"> <b>851</b>                      Total number of people employed   </td> <td style="width: 50%; text-align: center;"> <b>\$67,140</b>                      Total charitable donations made   </td> </tr> </table>	<b>851</b> Total number of people employed 	<b>\$67,140</b> Total charitable donations made 
<b>851</b> Total number of people employed 	<b>\$67,140</b> Total charitable donations made 		

Note: Data scope: The Group

#### 4.1 Employee Right and Benefit

As a responsible global employer, the Group complies with employment laws and regulations applicable in countries where it operates. At Sisram Medical, we have established employee rights and welfare policies, such as *Direct Deposit Policy*, *Vacation Policy*, *Leaves of Absence Policy*, *Bereavement Policy* in collaboration among our subsidiaries and monitor a comprehensive set of procedures in recruitment and dismissal, compensation, benefits, working time, holidays, and promotion to ensure compliance with local laws and regulations.







At Sisram Medical, we have zero toleration policy regarding forced labor and child labor. If such cases are discovered and confirmed after investigation, we will pursue appropriate actions, including but not limited to initiating disciplinary actions, commencing legal proceedings and/or reporting to appropriate governmental/regulatory authorities.



## 4. PUTTING PEOPLE FIRST (Continued)

### 4.1 Employee Right and Benefit (Continued)

#### Employee Rights and Benefits Overview

	<p><b>Recruitment and dismissal</b>                  Recruitment and dismissal practices within the Group are conducted according to relevant local laws and provisions in employment contracts or mutual agreements between the Group and its employees. We prohibit the employment of child labor or forced labor in all aspects. We require all job applicants to provide proof of age to identify and restrict child workers.</p>
	<p><b>Compensation</b>                  The Group's employee compensation is structured in alignment with local regulations and minimal wage requirements.</p>
	<p><b>Benefits</b>                  Employee benefits vary by country and comply with relevant national regulations, which typically include retirement plans, social insurance, legal housing insurance, commercial insurance, and allowances (e.g., transportation, lunch, mobile phone, etc.).</p>
	<p><b>Working time</b>                  Employee working time varies in jurisdictions where the Group is operating, and employees are entitled to payments or compensatory hours for working overtime.</p>
	<p><b>Holidays</b>                  The Group offers its employees paid vacations in accordance with local laws and regulations, such as parental leave, bereavement leave for immediate family, etc.</p>
	<p><b>Promotion</b>                  Each employee undergoes an annual talent review process where they meet with their managers for a performance review.</p>

#### Employee Engagement

Sisram Medical values the voices of employees and thereby conducts anonymized semi-annual employee satisfaction survey regularly to encourage effective leadership and to increase employees' satisfactions in all aspects. Likewise, department of Human Resources (HR) has implemented *Open-Door Policy*, fostering direct dialogue among employees to solve issues at work. In 2022, we have conducted satisfaction survey in 9 countries with a 4.05 score out of 5.



**4. PUTTING PEOPLE FIRST (Continued)**

**4.1 Employee Right and Benefit (Continued)**

Supporting Work-life Balance

Work-life balance is an essential aspect of a healthy work environment. Sisram Medical’s working culture is built on the concept of work-life balance. We carry out a series of diversified and interesting entertainment activities to create a comfortable and stress-free working environment for employees. Such activities include but are not limited to:

- Wellness days
- Annual group outreach activities
- Open-day event for employees and their families
- Office holiday parties
- Summer outing and barbecue

**4.2 Inclusion and Diversity**

At Sisram Medical, we respect individuality of employees and are proud of our contributions in inclusion and diversity. Sisram Medical has embraced inclusion and diversity in all aspects, clearly stating the principle of fair employment and equal pay in *Employee Code of Conduct*. We have established *Equal Employment Opportunity Policy* as well to ensure that all qualified candidates and employees are not discriminated against or treated differently due to non-work factors such as age, gender, race, color, national origin, religious beliefs, marital status or disability.

**Inclusion and Diversity Actions at Sisram Medical**

Board	Employee
<ul style="list-style-type: none"> <li>• the board has embraced a board diversity policy, aiming to maintain an appropriate balance of diversity perspectives of the board</li> <li>• the Nomination Committee reviews the structure, size and composition of the board annually and change accordingly to increase the diversity</li> <li>• the board has considered setting measureable objectives to ensure the effectiveness of <i>Board Diversity Policy</i></li> </ul>	<ul style="list-style-type: none"> <li>• Sisram Medical has acknowledged and honored multiple religious and cultural practices</li> <li>• Sisram Medical has fostered a culture where every voice is welcomed, heard and valued</li> <li>• Sisram has encouraged multilingual and multigenerational workforce in 9 countries</li> <li>• Sisram Medical has reduced bias in the evaluation and promotion process by hiding irrelevant personal information of employees</li> </ul>

## 4. PUTTING PEOPLE FIRST (Continued)

### 4.2 Inclusion and Diversity (Continued)

We are committed to consistently raising awareness of cultivating an inclusive and diverse workplace. We have promised to advance our movements in building inclusion and diversity workplaces globally and oversee internal employment programs designed to ensure Sisram Medical is attracting, retaining and developing diverse talents as well as gender equality at all levels.

#### Taken Measures to Ensure Inclusions and Diversity

##### Hiring & Development

- Foster an environment that attracts and retains the best talents, mitigates biases and encourages the contributions of diverse ideas, backgrounds and perspectives
- Create equal opportunities for training and development to optimize employees' full potentials

##### Training

- Provide employees and leaders on general topics in inclusion, diversity and bias mitigation
- Provide sexual harassment seminars every two years to reinforce Sisram's philosophy regarding workplace safety and gender equality

##### Communication

- Drive active and transparent communications regarding inclusion and diversity to cultivate inclusive culture, encourage role model behaviors
- Emphasize the high relevance of diverse and inclusive teams as a core element of our values and ESG strategy



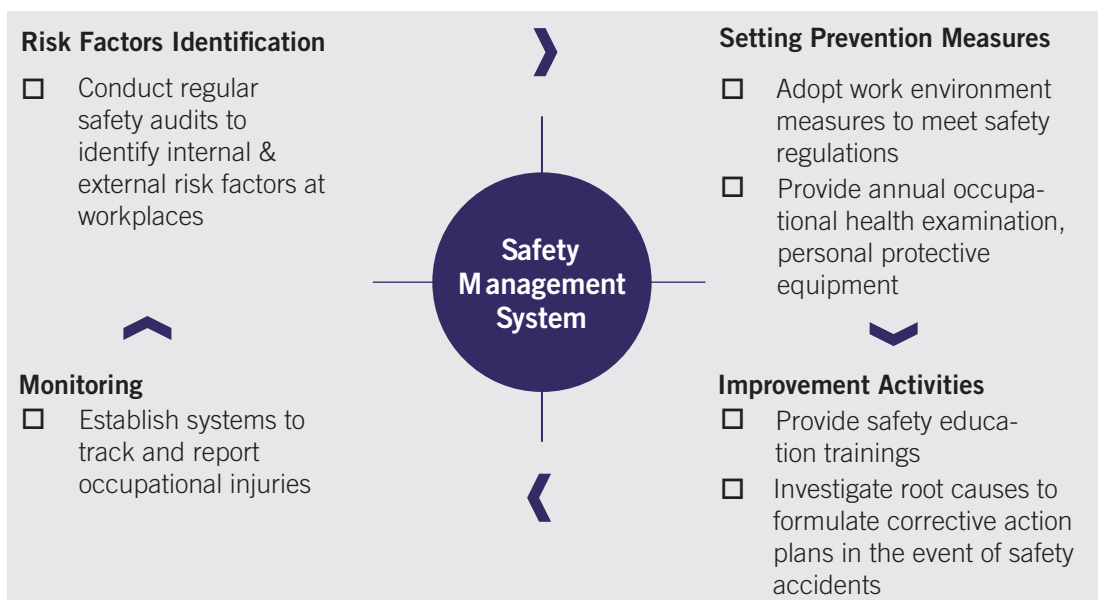
## 4. PUTTING PEOPLE FIRST (Continued)

### 4.3 Health and Safety

Sisram Medical promotes and provides a safe and healthy workplace. Health and safety of our employees are integrated into our business activities. Sisram Medical has complied with all applicable laws and regulations where Sisram Medical has operated and established *Employee Code of Conduct*, *Accident Reporting Policy*, *Workplace Violence Policy*, *No-harassment Policy*. We have established an effective occupational health and safety mechanism to protect our employees. We regularly monitor and analyze potential health and safety risks of our operations, and implement both legally-requested and voluntary procedures and training to safeguard our employees at work.

Alma Lasers has set up a Safety Committee, comprising of management and employee representatives and a third-party safety contractor. The Safety Committee is responsible for effectively formulating, executing, and monitoring the health and safety programs. Sisram Medical China established an Occupational Health Management System to oversight its health and safety related issues to create a safe working environment.

#### Our Occupational Health Management System



## 4. PUTTING PEOPLE FIRST (Continued)

### 4.3 Health and Safety (Continued)

Sisram Medical’s operations have relatively low exposures to health and safety hazards. Employees who work at heights, work with forklifts and work in laser environment, are regularly trained for safe operation. Additionally, we also provide our employees with annual occupational health examination and personal safety equipment to protect them.

In 2022, Alma Lasers has provided safety training such as CPR and First Aid training, laser-safety training and forklift instruction with over 692.5 trainings hours in total.

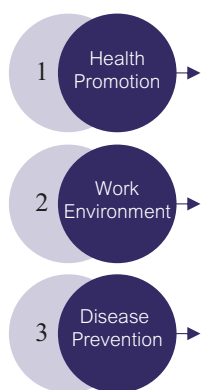
#### Safety Training for Employees in 2022

Attendees	Trainings	Contents
New Employees	Lasers-Safety Training	Explanations about the laser station, safety precautions, tool calibrations and correct use; general explanations about laser, and dangers and damages it can cause to the eyes
All Employees	Fire Drill	Training on fire escape, evacuation, as well as how to properly operate fire extinguishers, etc.
All Employees	CPR & First Aid Training	Providing knowledge on how to perform first aid and CPR
Employees from Operation	Forklift Instruction Work-at-Height Training	Providing instructions and guidelines regarding working with forklifts and work at heights

#### Inspiring Health and Wellbeing for Our Employees

Sisram Medical strives to safeguard the health and wellbeing of employees, creating a culture that inspire every employee to integrate physical and mental wellbeing into their daily life. Sisram Medical takes specific prevention measures to help maintain and enhance each employee’s capacity for productive and fulfilling work. Sisram Medical’s Health and Wellbeing Management System aligns and supports various prevention measures. Department of Human Resource and Operation are responsible for implementing health and wellbeing measures and continuously developing the programs.

#### Our Health and Wellbeing Management System



- Health check-up for all employees
- Employee Assistance Program (EAP) to provide employees with mental health support
- Activities for health promotion such as corporate sponsored fitness classes, yoga sessions, etc.
- Identify ergonomics risk factors in the work environment, and work to mitigate such risks by installing standing desks, etc.
- Strive to eliminate or remove undesirable odor, dust, and noise from worksites
- Monitoring epidemics: providing information on how to manage and minimize risks during epidemics
- Operation of in-house health clinic: vaccination (e.g., against influenza, etc.)



**4. PUTTING PEOPLE FIRST (Continued)**

**4.4 Development & Training**

At Sisram Medical, we strongly believe developing talents with the goal of ensuring internal promotion is vital to our growth. Promoting internally, and retaining and developing skilled talents have maintained Sisram Medical’s competitive advantages. Our Development and Training program has enabled us to mitigate the risk of losing expertise while identifying and promoting promising talents for internal mobility and promotion. In 2022, we were able to fill 23% of our open leadership positions with existing employees.

We have established *Equal Employment Opportunity Policy*, *Performance Appraisals Policy*, and *Issue Resolution Policy* and other talent-related policies to provide every employee with needed coaching, mentoring, counseling to successfully fulfill their job responsibilities.

In 2022, Sisram Medical created Alma’s Employee Academy, which is our Group-wide training and development platform for all employees, serving as a cross-business network. Alma’s Employee Academy offers various programs, enabling all employees to enhance their skills and competencies. Additionally, Alma Lasers launched comprehensive training activities for employees in different fields with over 5,597 hours.

**Our Employee Training Programs**

	<b>New Employee Training</b>	<b>Comprehensive Skill Training</b>	<b>Position-Related Training</b>
<b>Contents of training</b>	Introducing new employees to the Group’s policies and internal processes	Aiming to improve employees’ ability and skills, the contents of training including soft skill training	Aiming to improve the work ability and technical ability of employees, the contents of training, including key knowledge and business skills in various business areas

## 4. PUTTING PEOPLE FIRST (Continued)

### 4.4 Development & Training (Continued)

#### Employee Training Conducted in 2022 (Partial)

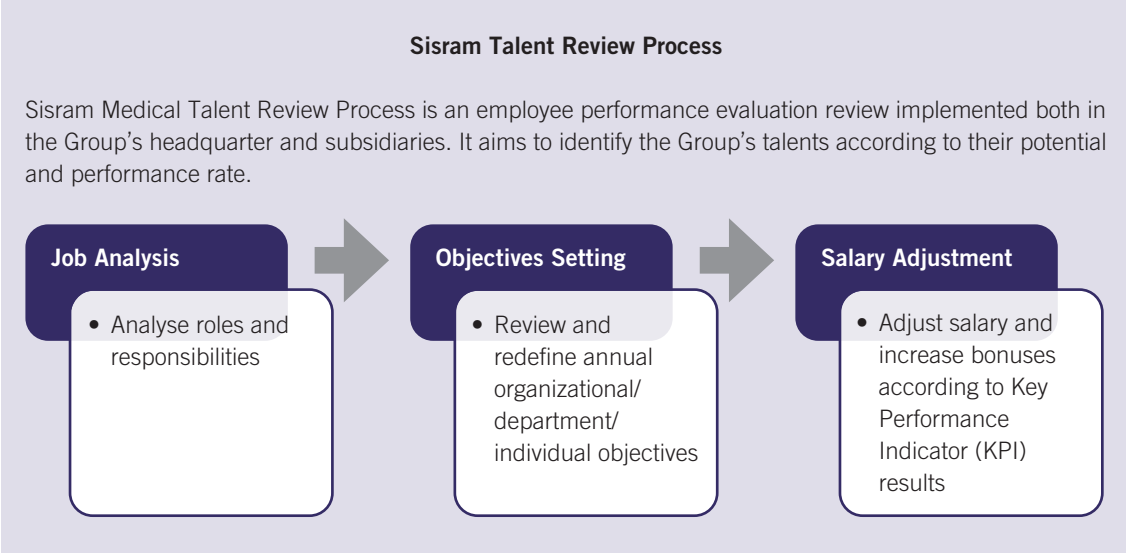
Training Program	Attendees	Training Activity	Contents
Comprehensive Skill Training	All employees	<ul style="list-style-type: none"> <li>✚ English-Beginner Level</li> <li>✚ English-Intermediate Level</li> <li>✚ English-Advanced Level</li> </ul>	Studying English language, including writing and speaking etc.
		<ul style="list-style-type: none"> <li>✚ Writing &amp; Summaries Workshop</li> </ul>	Studying professional writing
Position-Related Training	Employees working with multiple interfaces	<ul style="list-style-type: none"> <li>✚ Communication &amp; Motivation methods</li> </ul>	Learning different communication styles and skills, conveying a message, and strengthening the ability to work with multiple interfaces
	R&D & various relevant departments employees	<ul style="list-style-type: none"> <li>✚ Should we Patent it?</li> </ul>	Strengthening professional knowledge of intellectual property (“IP”) protection and management
	Employees from the operations, supply chain and production departments	<ul style="list-style-type: none"> <li>✚ Alma Lean Manufacturing</li> </ul>	Learning methodologies for lean management and production, improving, and streamlining processes
	Employees from all relevant departments	<ul style="list-style-type: none"> <li>✚ Professional Knowledge Training related to Business and Products</li> </ul>	Strengthening professional knowledge in various fields
Leadership Program	Senior managers	<ul style="list-style-type: none"> <li>✚ Crazy Time Management</li> <li>✚ Management Development</li> </ul>	Enhancing skills of team building and coordination of management

The Group provides a range of training programs for employees to explore their talents, abilities, and potentials. The Talent Review Process is also implemented in place to help employees achieve excellence in their respective fields and enable them to prepare for the future and extended careers.



### 4. PUTTING PEOPLE FIRST (Continued)

#### 4.4 Development & Training (Continued)



#### 4.5 Community Investment

The Group firmly believes that Sisram Medical’s value should not be limited to providing customers with quality products and services but also giving back to society and positively impacting the people around us. In 2022, Sisram Medical’s philanthropic engagement at Group level has a focus on increasing awareness of soldier-related topics, especially for Post-Traumatic Stress Disorder (PTSD) veterans. We achieve this primarily by supporting charitable programs with funding and employment opportunities.

In 2022, the total monetary value of Sisram Medical’s contribution to philanthropic activities amount to approximately US\$67,140. For instance, Alma Lasers sponsored Support Our Soldiers (SOS) association that encouraging employers to hire PTSD veterans and provided employment opportunities to PTSD veterans. Additionally, Alma Lasers sponsored 8 teenagers to enlist in the Israel Defense Forces (IDF) in Israel.



## 5. COMMITTING TO RESPONSIBLE PRACTICES

The energy-based medical aesthetics device market is highly diverse, requiring a broad range of technologically advanced solutions and versatile customer service channels. At Sisram Medical, we are committed to offer innovative products available to consumers worldwide, and continuously improve quality and innovation.

Committing to Responsible Practices at a Glance			
<b>Why is this important ?</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Good quality and service are the basis for increasing customer stickiness and gaining trust</li> <li><input type="checkbox"/> Compliance and ethics are the foundation of an organization’s long-term sustainability, as well as a prerequisite for lasting relationships with customers, partners, government regulators, shareholders, employees and communities</li> <li><input type="checkbox"/> Stakeholders value a dynamic and healthy supply chain and expect companies to manage its adverse effects</li> </ul>		
<b>The Group’s Approach</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Continuously improve product quality and service standards to bring a first-class experience for customers</li> <li><input type="checkbox"/> Promote the healthy development of supply chains that meet social and environmental standards and the Group’ values</li> <li><input type="checkbox"/> Continuously build a culture of integrity within the organization and develop robust business ethics and compliance programs</li> </ul>		
<b>Performance Highlights</b>	<p><b>0</b> Corruption-related enforcement actions</p> 	<p><b>0</b> Total number of products recalled due to safety and health reasons</p> 	<p><b>8</b> New patents</p> 

Note: Data scope: The Group

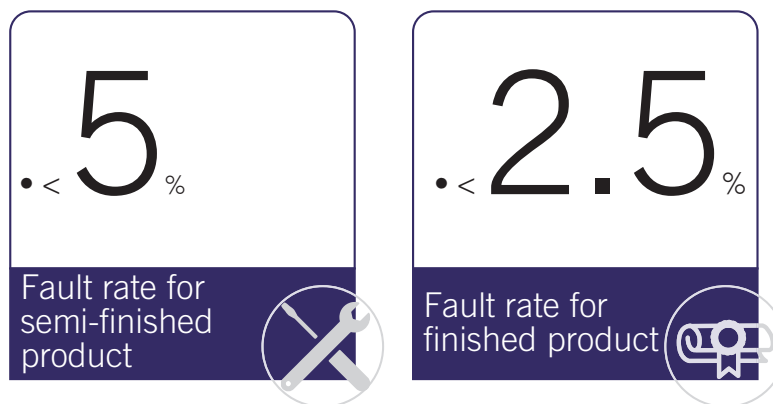
## 5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

### 5.1 Product Stewardship

#### Product Health and Safety

Sisram Medical’s devices are regulated globally by government agencies, healthcare authorities and other regulatory bodies who verify that we have complied with applicable laws and regulations through product’s lifecycle, for instance, *the Medical Device Law, Technical Requirements on the Preparation of Medical Devices*. We have set our goals of product health and safety and the department of Quality Assurance (“QA”) and Quality Control (“QC”) work collectively to ensure our actions align with established goals. At Sisram Medical, QA works to maintain transparent, constructive and professional communication with all applicable regulatory authorities on matters of policy, product submission and compliances. The department of QA carefully monitor changes in worldwide regulatory environment to ensure the legal compliance of our products.

#### Fault Rate Goal



Our operation sites and major subsidiaries are certified according to the ISO13483:2016 standards and fulfill the requirements for quality management systems in the US, Canada and other countries. In 2022, third-party audits have been conducted over ISO 13485:2016 certified facilities to maintain the quality of manufacturing, management, and products.

#### Product Quality and Safety Certifications

Certification	Alma Lasers	Alma Inc.	Alma GmbH
ISO13485:2016	✓	✓	✓
Medical Device Single Audit Program (MDSAP)	✓		✓
EC Certificate of Full Quality Assurance System	✓		✓
EC Mark			✓
US/FDA	✓	✓	
Health Canada	✓		✓
Russia	✓		✓

## 5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

### 5.1 Product Stewardship (Continued)

#### Product Health and Safety (Continued)

Our Management System covers six procedures from production design to market supervision, spanning the entire life-cycle of the product line. All products brought into commercial distribution have been constantly assessed to ensure safety and effectiveness of products. We conduct internal audits of established system at planned intervals to examine our product quality, which involves QC. Audit findings are documented and reported to relevant departments, which ensures that correction measures and improvements actions are taken without undue delay to improve conformities. On the other hand, Sisram Medical has applied tools such as complaint handling, post-market surveillance, vigilance reporting, reliability and trending analysis for quality management.

#### Continual Improvement of Quality Management System







## 5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

### 5.1 Product Stewardship (Continued)

Product Health and Safety (Continued)

#### Stages of the Quality Management System

Procedure		Key Functions	
	<b>Design Control</b>	<ul style="list-style-type: none"> <li>✚ Risk Management</li> <li>✚ Inputs/Outputs</li> <li>✚ Verification/Validation</li> </ul>	
	<b>Corrective &amp; Preventive Actions</b>	<ul style="list-style-type: none"> <li>✚ Eliminate Nonconformities</li> <li>✚ QMS Improvement</li> <li>✚ Verify Effectiveness</li> </ul>	
	<b>Process and Production</b>	<ul style="list-style-type: none"> <li>✚ Customer Requirement</li> <li>✚ Supplier Quality</li> <li>✚ Identification/Traceability</li> </ul>	
	<b>Management Control</b>	<ul style="list-style-type: none"> <li>✚ Management Review</li> <li>✚ Inspection Readiness</li> <li>✚ Internal Audit</li> </ul>	
	<b>Change Management</b>	<ul style="list-style-type: none"> <li>✚ Design Change Management</li> <li>✚ Quality Management System (QMS) Change Management</li> <li>✚ Risk Review</li> </ul>	
	<b>Production and Surveillance</b>	<ul style="list-style-type: none"> <li>✚ Complaint Handling</li> <li>✚ Risk Monitoring Vigilance</li> </ul>	

Simultaneously, department of QA, QC and Operation work collectively to ensure Sisram Medical’s products have complied with regulatory and statutory requirements through training programs. Employees are provided ISO 13485:2016 Lead Auditor Training and other product quality training regarding Sisram Medical’s Quality Management System as applicable. Employees are qualified to perform product quality inspection tasks based on their knowledge, training, and experiences.

## 5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

### 5.1 Product Stewardship (Continued)

#### Product Health and Safety (Continued)

The Group attaches great importance to product safety issues and employs *Recall and Field Safety Corrective Actions and Procedures (FSCA)* when products may compromise the safety of users. Once the defect of a default product is found, the Group will immediately acquire necessary information from the procurement or production departments and discuss countermeasures. Default products and equipment will be identified and traced depending on the severity to prevent marketing circulation. The relevant employees of QA will analyze the compliance of the products and report to the CEO, who will sign the recall application and finally implement the recall action. The Corrective Action will follow the recall procedure to prevent a recurrence of the problem. After an incident has occurred, the Group will also report the situation to the regulatory authorities. For example, in accordance with the European Union Medical Device Regulation (EU MDR), we will report to the EU database and put on record internally.

#### Recall & Field Safety Corrective Action Procedures (FSCA)



In 2022, Sisram Medical has successfully achieved established a goal of product health and safety with 0% product recall rate, indicating outstanding product quality management. Sisram Medical has conducted quality training activities, for instance, *EU MDR* trainings with 158 training hours in total. Xing Yuan Da has also conducted training for quality control management and product manufacturing software to systematically manage the processing, isolation, review and traceability of production equipment, personnel, and products. Additionally, Sisram Medical’s facilities have not been subject to any regulatory and lawful enforcement actions regarding product health and safety.

#### Technological Innovation

Technological innovation is an integrated element of the product design and development process, reinforcing Sisram Medical’s competitiveness in the industry. The inputs of R&D department are documented and included but not limited to functionality, performance and safety requirements according to the intended use, regulatory standards and environmental impacts. In 2022, Sisram Medical has changed the structure of R&D department by merging with QA to safeguard the lawful and regulatory compliances of product design and technological innovation.

We invest in research and innovation and establish compensation plan for new IP development to motivate the creativity and innovation of R&D department.



## 5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

### 5.1 Product Stewardship (Continued)

#### Technological Innovation (Continued)




On the other hand, Sisram Medical values and respects intellectual property of ours and others, and therefore established *IP Management Procedure* for IP management and protection, including filing patent and trademark applications in various jurisdictions such as the U.S., Europe and the PRC related to its proprietary technology, inventions and improvements that are important to the development of its business. IP manager will also coordinate with regional sales managers to implement our policy.

The Group provides trainings for employees to better implement IP strategy. Salespeople are trained in “takedown” procedures to remove infringing content from third-party sites such as social media and e-commerce platform. The IP manager briefs executives on significant developments in the IP areas bimonthly.

In 2022, Sisram Medical has applied 27 trademarks and 8 patents globally and offered 25 hours training to raise employees’ awareness of IP protection. Up to now, Sisram Medical has not infringed others’ intellectual property rights and has not been subject to any administrative penalties or court decisions.

#### IP Management Procedure

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	<p><b>Management responsibility</b></p> <ul style="list-style-type: none"> <li>✚ The Group employs an IP manager, who carries out the policy with assistance from external counsel</li> <li>✚ Regional sales managers coordinate between international distributors and the IP manager to protect intellectual property in their territories</li> </ul>
	<p><b>Daily monitoring and Management</b></p> <ul style="list-style-type: none"> <li>✚ Patent, trademark, and design registrations</li> <li>✚ Promotion of IP rights awareness among R&amp;D, clinical, regulatory, marketing, and sales personnel</li> <li>✚ Trademark clearance searches, patent freedom to operate opinions, and patentability assessments</li> <li>✚ Surveys of new trademark applications and patent applications in the Group’s areas of business</li> <li>✚ Marking of patent numbers on products</li> <li>✚ Monitoring of patent litigation and patent appeals in USA</li> </ul>
	<p><b>Remedial actions in the event of infringement</b></p> <ul style="list-style-type: none"> <li>✚ Oppositions are filed against applications for trademarks that are identical or very similar to the Group trademarks</li> <li>✚ Request third-party web platforms, such as e-commerce platform and social media, to remove infringing content</li> <li>✚ External counsel issue warning letters and invitations to mediation</li> <li>✚ The Group is assessing litigation against manufacturers and sellers who infringe Group patents and trademarks</li> </ul>

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## 5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

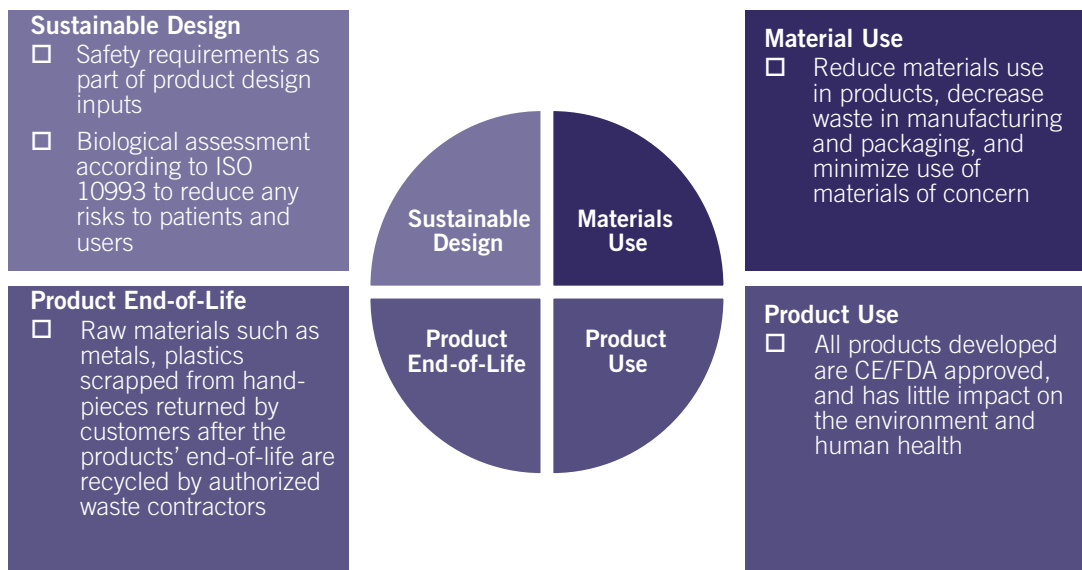
### 5.1 Product Stewardship (Continued)

#### Product Design and Lifecycle Management

At Sisram Medical, we are continuously improving product eco-friendliness and reducing adverse impacts through the innovative and sustainable design. The Group minimizes its environmental impacts and provides our customers with more environmental-friendly products. We have developed sustainability strategy covering 4 pillars: Sustainable Design, Material Use, Product Use and Product End of Life.

Sisram Medical has complied with the EU directive on Waste Electrical and Electronic Equipment (WEEE). Equipment and product parts would be returned to Sisram Medical or suppliers for recycling or environmentally friendly disposal as applicable. E-waste will be forwarded and disposed of through officially authorized disposal agents.

#### Sustainability Spanning the Entire Product Life-cycle







**5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)**

**5.1 Product Stewardship (Continued)**

Selling Practices & Product Labelling

To assure compliance with relevant laws and regulations, the Group has established *Labelling and Operating Manual Work Instruction* in place, which defines the method and information for marking and labelling finished products. Additionally, Sisram Medical has established internal policy *Marketing Material Approval* to safeguard the appropriateness of marketing materials and to ensure compliances with applicable laws and regulations. QA acts as a gatekeeper to ensure advertising, packaging and promotional materials provided accurate, balanced and non-misleading information as well as complied with laws and regulations. Marketing acts as an executor for information distribution. Additionally, Sisram Medical conducts trainings regularly to enhance employees understanding on selling practices and product labelling.

We have complied with requirements for product serialization, track and trace technology, including barcoding as mandated by existing local regulations in various regions and countries across the globe.

 <p><b>Product Labelling</b></p>	<ul style="list-style-type: none"> <li>✦ The use and the purpose for which it is designated.</li> <li>✦ Indicating the product’s expiration date.</li> <li>✦ Indicating in the event that the product is designated for single use.</li> <li>✦ Special precautions.</li> </ul>
 <p><b>Operating Manual</b></p>	<ul style="list-style-type: none"> <li>✦ Information needed to use it safely and conditions in which it is not recommended or forbidden to use the product.</li> <li>✦ Side effects that may derive as a result of product usage and the contraindications.</li> <li>✦ Warnings and precautions that should be taken while operating and using the product.</li> <li>✦ Precautions that should be taken in the event of exposing the product to exceptional weather conditions, magnetic or electric fields, pressure changes, etc.</li> </ul>

In 2022, Alma Lasers organized 2-hour Branding in the Digital Age training with 57 attendees. Sisram Medical has not infringed any selling practices and has not been subject to relevant administrative penalties and court decisions in 2022.



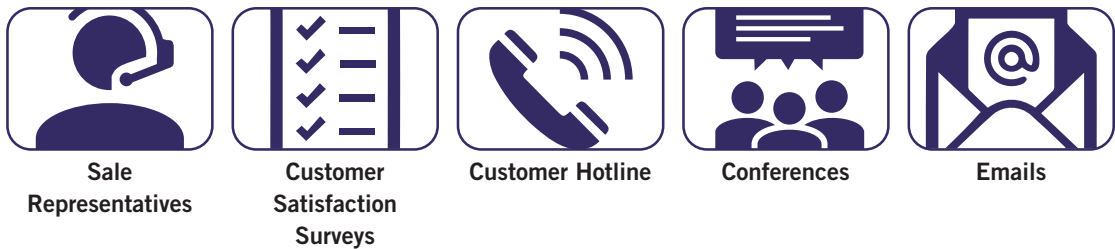
## 5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

### 5.2 Cultivating Good Customer Relationship

#### Satisfaction and Communication

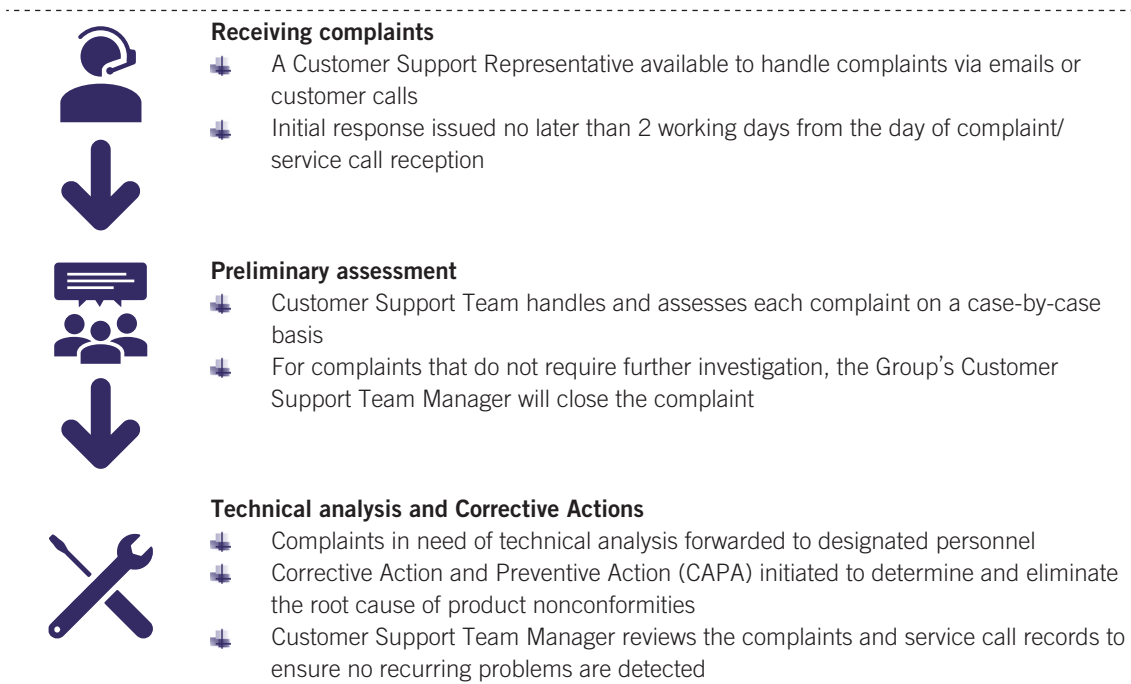
Our customers and consumers stand at the core of our business. Sisram Medical’s business model is primarily built upon business-to-business (clinics) and increasingly incline to business-to-consumer (end users of dental care products and home devices). Sisram Medical has established specific channels of engagement to different needs of each group. Additionally, Sisram Medical has conducted customer satisfaction surveys to gain insights of customers and consumer’s needs and improve the quality of our customer relationship management.

#### Communication Channels of Customers and Consumers



The Group has a well-established management procedure to handle products and service-related complaints from customers. the Group’s customer service system runs on SAP, an enterprise resource planning software, reviewing each service call status, as well as monitoring each case of customer complaints in accordance with their severity from low to high.

#### Customer Complaints Management Procedure





## 5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

### 5.2 Cultivating Good Customer Relationship (Continued)

#### Satisfaction and Communication (Continued)

We have provided a broad range of marketing professional trainings to help our employees address customers concerns and foster healthy relationship. We have established Alma Academy and organized e-learning seminars, road shows, face-to-face training to help health care professionals understand our products.

In 2022, Sisram Medical has newly established Customer Services unit under Marketing to proactively manage customer relationship and customer issue-solving with complaint handle rate of 100% in 2022.

#### Customer Information Security and Privacy Protection

Sisram Medical protects and respects confidentiality and integrity of data as well as information of employees, customers and business partners using technical and measures as applicable. Sisram Medical has complied applicable data protection laws and regulation and established relevant policies in *Employee Code of Conduct*, *Remote Employee Internet Policy*, *Security Inspections Policy*, *Confidentiality and Nondisclosure Policy*, *Personal Computer use Guideline*, covering all personal data collected or processed by Sisram Medical.

We have also adopted The Oracle NetSuite and an ISO 27001 certified system to optimize our data management performance against data being misused by third parties for fraud, such as identity theft. Another important element of our data management is to raise awareness and provide trainings at all levels. These trainings align with essential legal principles and requirement, taking into Sisram Medical's consideration.

Our continuing efforts to ensure data security are underpinned by mandatory annual trainings. Relevant global and local staff perform their tasks in accordance with internal policies. Alma Lasers has conducted mandatory trainings regarding cyber danger with 272 attendees in 2022 to raise awareness on cyber security and Sisram Medical's policy on data security.

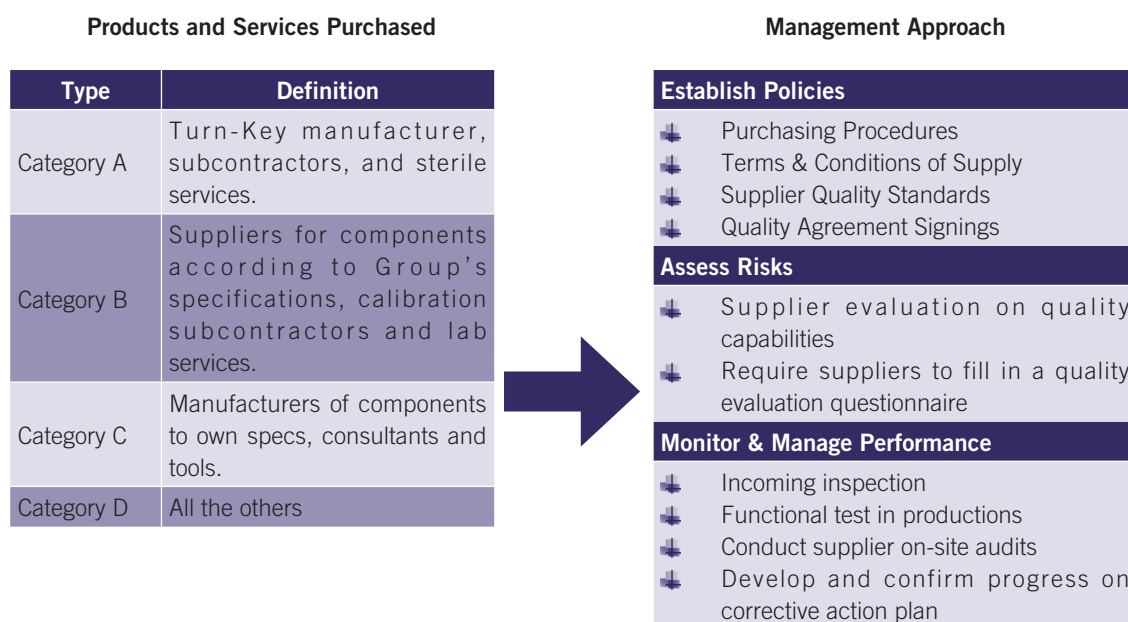
In 2022, we did not identify substantiated complaints concerning breaches of data security and privacy protection.

## 5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

### 5.3 Responsible Supply Chain

Responsible supply chain is the focus area of corporate sustainable development. The Group is committed to continuously improving the transparency of procurement, sharing values with strategic partners based on trust.

The Group established *Supplier Management Policy* and supplier evaluation systems. Suppliers should present formal accreditation to ISO 13485 and/or ISO 9001 when entering into business with us. The Group classifies and manages suppliers into four categories (A-D, A-Critical, D-Non-critical) based on the service supplied or materials critically as affect to the quality of its finished products to effectively mitigate risks from the supply chain.

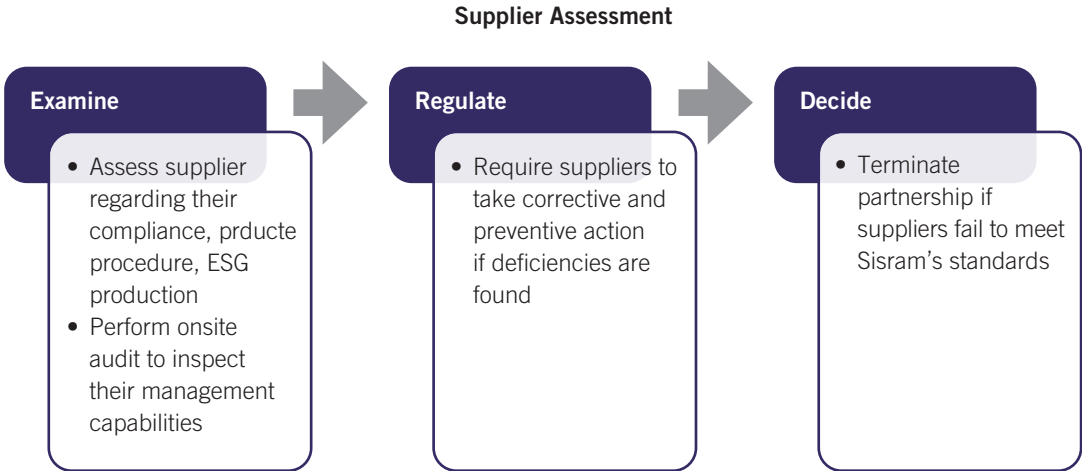




## 5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

### 5.3 Responsible Supply Chain (Continued)

The Procurement department actively participates in the supply chain management, assessing all suppliers regarding the topics of their compliances, product quality and production procedures.



Additionally, in 2022, Procurement department has assessed potential risks and identified opportunities for improvement in supply chain management, which involving changes of delivery methods, signing forward contract etc to hedge away uncertainty in prices and time.

Our suppliers are an integral part of our international value chain. A risk to them is also a risk to our Group and our customers as well as consumers. Sisram Medical requires all our suppliers to be as committed to sustainable development as we are. Sisram conducts *Supplier/Subcontractor Quality Questionnaires* and onsite audit to review their ESG performance. All suppliers have to clarify in questionnaires that they comply ESG related standards and principles in all of their Sisram Medical-products and are requested to renew their accordance.

## 5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

### 5.3 Responsible Supply Chain (Continued)

#### Examples of Supplier Environmental and Social Requirements

<b>Environmental Aspect</b>	<ul style="list-style-type: none"> <li>✚ Compliance with environmental laws and regulations</li> <li>✚ Environmental policies, practices, and expectations are communicated to all employees and suppliers in local appropriate language</li> <li>✚ Annual environmental performances review</li> <li>✚ Monitor and track energy consumption</li> <li>✚ Test air emissions regularly</li> <li>✚ Program and/or procedure on pollution and waste reduction</li> </ul>
<b>Social Aspect</b>	<ul style="list-style-type: none"> <li>✚ Young workers (above the legal minimum age, but under 18 requires protection restrictions) employed in accordance with law</li> <li>✚ Workers are free to resign from employment at any time (without penalty and with reasonable notice)</li> <li>✚ A written corporate responsibility policy or statement of commitment to define its approach to labor, health, and safety standards</li> <li>✚ A management representative assigned that is responsible for assuring compliance with labor, health and safety laws, regulations and codes</li> </ul>

In 2022, we have conduct 30 supplier visits and audits regarding our requirements of environmental and social requirement. During supplier visits and audits, we have 23 suppliers passed our assessment and 7 suppliers having potential adverse impacts on ESG matters. Therefore, the 7 suppliers would be needed to take corrective or preventive actions. Otherwise, they will be eliminated from Sisram Medical’s supplier database.

### 5.4 Ethical Business Conduct

#### Anti-Corruption

Sisram Medical is committed to promote ethical business conduct among employees at all levels and dealing with our stakeholders, following all applicable laws and regulations where we operate. Our established *Employee Code of Conduct* and *Vendor Gifts Policy* defines general principles for ethical behaviors and prohibit employees from offering or accepting bribes, as well as using other means to obtain undue or improper advantage. We will review internal policies regularly and revised when necessary. Additionally, Sisram Medical has developed anonymous *Whistle-blowing Management* and *No retaliation policy* that encourages employees to report any apparent or potential violations of laws, regulations, rules in the Group’s business operation.



5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

5.4 Ethical Business Conduct (Continued)

Anti-Corruption (Continued)

Complaints and Whistle-blowing Management Procedure

Human Resources and the Legal department step in and initiate thorough investigation in the event such complaints are brought to the attention of member of management

The Group management formulate and implement remedial actions to put a halt to any such conduct, as well as to prevent its recurrence



Each employee is required to be trained on Employee Code of Conduct. All new employees of Sisram Medical, including all its subsidiaries, are undergone mandatory training as part of their initial orientations.

In 2022, 6 vice presidents at headquarter attended courses of ethics and criminal liability at Tel Aviv University to uphold the principles of Sisram Medical's ethics. Sisram Medical was not aware of any non-compliance or legal cases raised by violation relating to bribery, extortion, fraud and money laundering.

Compliance

Compliance is Sisram Medical's ultimate responsibility. We respect and obey applicable local laws and regulations (see Compliance in ESG Databook). Internally, we have formulated relevant policies and standards to ensure we operate in accordance with local laws and regulations.

Oversights of compliance and risk management lies with the Board of Directors, which established the policies at the top tier to foster a strong compliance culture. We have established an internal audit procedure to reinforce our determination of compliance and encouraged our employees to report compliance issues with whistle-blowing protection policy.

In 2022, there were no fines or no-monetary sanctions for non-compliance were levied against Sisram Medical.

## 6. ESG DATABOOK

### Compliance

Aspect	Main laws and regulations identified by jurisdictions
<b>Environmental Protection</b>	<p><b>Israel:</b> <i>Packaging Law (Packaging Management Law) 2011.</i></p> <p><b>PRC:</b> <i>Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes, Energy Conservation Law of the PRC, Directory of National Hazardous Wastes 2021, Regulation on the Safety Management of Hazardous Chemicals, Provisions on the Supervision and Administration of Occupational Health at Work Sites.</i></p> <p><b>U.S.:</b> <i>Environmental Protection Act, etc</i></p> <p><b>India:</b> <i>Environment Protection Act 1986, Wildlife (Protection) Act 1972, Forests (Conservation) Act 1980, Water (Prevention and Control of Pollution) Act 1974, Air (Prevention and Control of Pollution) Act 1981, The Indian Forest Act, 1927.</i></p> <p><b>EU:</b> <i>German Environmental Protection Act (Bundes-Immissionsschutzgesetz), Austrian Environmental Protection Act, etc.</i></p> <p><b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i></p>
<b>Employment</b>	<p><b>Israel:</b> <i>The Israeli Severance Pay Law, The Employment of Women Law, The Sick Pay Law, The Annual Leave Law, Minimum Wage Law, etc.</i></p> <p><b>PRC:</b> <i>Labor Contract Law of the PRC, Labor Law of the PRC, etc.</i></p> <p><b>U.S.:</b> <i>Title VII of the Civil Rights Act of 1964, Age Discrimination in Employment Act, Fair Labor Standards Act, etc.</i></p> <p><b>India:</b> <i>Employees compensation Act 1923, The Payment of Wages Act 1926, The Maternity Benefit Act 1970, etc.</i></p> <p><b>EU:</b> <i>Buergerliches Gesetzbuch (German Civil Code), Bundesurlaubsgesetz (National Vacation Law), etc.</i></p> <p><b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i></p>
<b>Child Labor and Forced Labor</b>	<p><b>Israel:</b> <i>Youth Labor Law 1953.</i></p> <p><b>U.S.:</b> <i>Fair Labor Standards Act, various relevant state laws.</i></p> <p><b>India:</b> <i>Child and Adolescent Labor (Prohibition and Regulation) Act 1986, Juvenile Justice (Care and Protection) of Children Act 2000.</i></p> <p><b>EU:</b> <i>Charter of Fundamental Rights of the European Union, Art. 32: Prohibition of Child Labor and Protection of Young People in the Workplace.</i></p> <p><b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i></p>
<b>Occupational Health and Safety</b>	<p><b>Israel:</b> <i>The Israeli Work Safety Ordinance (New Version) 1970, The Labor Inspection (Organization) Law 1954, The Safety at Work Regulations (Safety Glasses) 1947, Regulations of the Labor Supervision Organization (Provision of Information and Employee Training) 1999, Safety at Work (Occupational Hygiene and Safety Dealing with Laser Radiation) Regulations 2005, etc.</i></p> <p><b>PRC:</b> <i>Labor Law of the PRC, Law of the PRC on the Prevention and Control of Occupational Diseases, etc.</i></p> <p><b>U.S.:</b> <i>Occupational Safety and Health Act.</i></p> <p><b>India:</b> <i>The Factories Act, 1948, The Contract Labor (Regulation &amp; Abolition), Mines Act 1952, Dock Workers Act 1986, Contract Labor Act 1970, Inter-State Migrant Workers Act 1979, etc.</i></p> <p><b>EU:</b> <i>Arbeitsschutzgesetz (Labor Protection Law), Unfallverhuetungsvorschrift (Accident Prevention Regulation), etc.</i></p> <p><b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i></p>

## 6. ESG DATABOOK (Continued)

### Compliance (Continued)

Aspect	Main laws and regulations identified by jurisdictions
<b>Product Quality Assurance</b>	<p><b>Israel:</b> Medical Device Law 2012, The Medical Device (Medical Device Registration and Renewal) Regulations 2013, The Israeli Public Health Regulations (Clinical Trials in Human Subjects), Safety at Work (Occupational Hygiene and Safety Dealing with Laser Radiation) Regulations 2005, etc.</p> <p><b>PRC:</b> Regulations on Supervision and Administration of Medical Devices, Measures for the Supervision and Administration of Medical Devices, Measures for the Administration of Medical Device Adverse Event Monitoring and Re-evaluation, etc.</p> <p><b>U.S.:</b> 501 (K) clearance, Radiation Control Provisions, etc.</p> <p><b>India:</b> Grading and Marking Act 1937, ISI (Certification Mark) Act 1952, The Food Safety and Standards Act (FSS) 2006, Export (Quality Control and Inspection) Act 1963, etc.</p> <p><b>EU:</b> CE Marking, MDR (Medical Device Regulation), German Medical Devices Act (Medizinprodukteverordnung), Austrian Trade Law (Gewerberecht), etc.</p> <p><b>Other jurisdictions:</b> the Group adheres to relevant local laws in regulations.</p>
<b>Intellectual Property</b>	<p><b>Israel:</b> The Patents Law 1967, The Trade Marks Ordinance 1972, The Copyright Law 2007, The Patents and Designs Ordinance 1924, etc.</p> <p><b>PRC:</b> Patent Law of the PRC, The Trademark Law of the PRC, etc.</p> <p><b>U.S.:</b> Copyright Act, Patent Act, etc.</p> <p><b>India:</b> The Copyright Act 1957, The Patents Act 1970, The Designs Act 2000, etc.</p> <p><b>EU:</b> German Copyright Law (Urheberrechtsgesetz), European Patent Convention, European Union Trade Mark Regulation.</p> <p><b>Other jurisdictions:</b> the Group adheres to relevant local laws in regulations.</p>
<b>Product Labelling</b>	<p><b>PRC:</b> Provisions on the Administration of Instructions and Labels of Medical Devices.</p> <p><b>U.S.:</b> Federal Trade Commission Act, etc.</p> <p><b>India:</b> Food Safety and Standards Act 2006, The Legal Metrology Act 2009, Legal Metrology (Packaged Commodities) Rules 2011.</p> <p><b>EU:</b> EU MDD 93/42/EEC, etc.</p> <p><b>Other jurisdictions:</b> the Group adheres to relevant local laws in regulations.</p>
<b>Product Advertising</b>	<p><b>Israel:</b> Consumer Protection Law 1981.</p> <p><b>PRC:</b> Advertising Law of the People's Republic of China.</p> <p><b>U.S.:</b> Federal Trade Commission Act.</p> <p><b>India:</b> Code for Self-Regulation in Advertising, Drugs and Magic Remedies (Objectionable Advertisements) Act 1954.</p> <p><b>EU:</b> Gesetz gegen unlauteren Wettbewerb (Act against Unfair advertising Practices).</p> <p><b>Other jurisdictions:</b> the Group adheres to relevant local laws in regulations.</p>
<b>Customer Data Protection and Privacy</b>	<p><b>Israel:</b> Consumer Protection Law 1981.</p> <p><b>PRC:</b> The Law of the PRC on the Protection of Rights and Interests of Consumers.</p> <p><b>U.S.:</b> Fair Credit Reporting Act, etc.</p> <p><b>India:</b> Information Technology Act 2000, Indian Penal Code 1860.</p> <p><b>EU:</b> Bundes-Datenschutzgesetz (German Data Protection Act), European Data Protection Convention, etc.</p> <p><b>Other jurisdictions:</b> the Group adheres to relevant local laws in regulations.</p>



## 6. ESG DATABOOK (Continued)

### Compliance (Continued)

Aspect	Main laws and regulations identified by jurisdictions
<b>Anti-Corruption</b>	<p><b>U.S.:</b> <i>Foreign Corrupt Practices Act.</i></p> <p><b>India:</b> <i>Prevention of Corruption Act 1988, The Benami Transactions (Prohibition) Act 1988, Indian Penal Code 1860, The Prevention of Money Laundering Act 2002.</i></p> <p><b>EU:</b> <i>Bundes Anti Korruptionsgesetz (German Anti-Corruption Law), Anti Korruptions Verordnung (Anti-Corruption Act).</i></p> <p><b>International conventions:</b> <i>UN Convention against Corruption (UNCAC), OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.</i></p> <p><b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i></p>

During the reporting period, there were no reported violations of laws and regulations mentioned above with respect to environmental protection (including those relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste); employment; child labor and forced labor; occupational health and safety, and privacy matters related to products and service; and bribery, extortion, fraud, money laundering and other corruption-related aspects.

### Environment

Indicator	Unit	2020	2021		2022		
			Alma Lasers	Sisram Medical China <sup>1</sup>	Alma Lasers	Sisram Medical China <sup>1</sup>	
<b>Air Emissions<sup>2</sup></b>	NOx emissions	g	–	148,365.9	1,324.4	184,614.9	1608.5
	SOx emissions	g	–	3,569.6	17.2	3,948.6	20.7
	PM emissions	g	–	10,923.9	97.5	13,592.8	73.6
<b>GHG Emissions</b>	GHG emissions (Scope 1) <sup>3</sup>	tCO <sub>2</sub> -eq	–	610.3	3.4	632.0	3.2
	GHG emissions (Scope 2) <sup>4</sup>	tCO <sub>2</sub> -eq	–	1,121.2	70.1	1,105.1	137.9
	Total GHG emissions (Scope 1 & Scope 2)	tCO <sub>2</sub> -eq	1,805.2	1,731.5	73.5	1,737.2	141.1
	GHG emissions intensity	kgCO <sub>2</sub> -eq/ US\$1,000 of sales	11.1	6.2	5.9	4.9	8.0

## 6. ESG DATABOOK (Continued)

### Environment (Continued)

	Indicator	Unit	2020	2021		2022	
				Alma Lasers	Sisram Medical China <sup>1</sup>	Alma Lasers	Sisram Medical China <sup>1</sup>
<b>Hazardous Waste</b>	Total discharge of hazardous waste	Tons	–	0	0.0039	0	0
	Hazardous waste intensity	g/US\$1,000	–	0	0.000027	0	0
<b>Non-Hazardous Waste</b>	Total discharge of non-hazardous waste	Tons	–	1.65	0.70	1.30	1.18
	Non-hazardous waste intensity	g/US\$1,000	–	5.88	55.85	4.64	66.66
<b>Energy</b>	Total office paper recycled	kg	350.08	350.08	0	309.00	0
	Total purchased electricity consumption	MWh	1,581.47	1482.22	93.57	1,445.78	241.83
	Electricity consumption intensity	kWh/US\$1,000 of sales	9.76	5.29	7.47	4.08	13.66
	Total diesel fuel consumed by the Group's motor vehicles <sup>5</sup>	Liters	127,422	102,906	716	116,053	572
	Total gasoline consumed by the Group's motor vehicles <sup>4</sup>	Liters	118,738	147,432	416	141,504	784
	Total water consumption <sup>6</sup>	Tons	7,456	8,071	285	2,925	512
	Water consumption intensity	kg/US\$1,000 of sales	46.0	28.8	22.7	8.3	28.9
<b>Packaging Materials</b>	Total packaging material used <sup>7</sup>	Tons	37.6	45.7	7.0	398.9	14.3
	Packaging material consumption intensity	kg/US\$1,000 of sales	–	0.16	0.56	1.13	0.81
	Total amount of packaging materials recycled <sup>8</sup>	Tons	–	23.5	–	35.0	0

## 6. ESG DATABOOK (Continued)

### Environment (Continued)

1. In 2021, the data collection period of Sisram Medical China only covered July to December. In 2022, the data collection period of Sisram Medical China covered January to December, resulting increases on energy consumption, emission, waste generation and packing material usage. Meanwhile, the Group conducted environmental data revision in 2022 for 2021 Sisram Medical China data and made a few adjustments accordingly. The reviewed data is disclosed in this Report for reference.
2. The calculation is based on factors stated in the *How to Prepare an ESG Report-Appendix 2: Reporting Guidance on Environmental KPIs* published by the Hong Kong Stock Exchange in May 2021. In 2022, Alma Lasers adjusted the reporting scope of air emission. For NOx emissions and PM emissions, the reporting scope included Alma GmbH and Nova Medical. As for SOx emission, it included Alma Israel, Alma GmbH and Nova Medical. the Group will continue improving data management related to air emissions.
3. The calculations of GHG (Scope 1) for Alma Lasers and Sisram Medical China are based on factors stated in *the GHG Emissions from Transport or Mobile Sources* published by WRI (5/2015) and *the Guide to Accounting Methods and Reporting of Greenhouse Gas Emissions from enterprises in other industrial sectors* published by National Development and Reform Commission of the PRC (11/2015).
4. The calculations of GHG (Scope 2) for Alma Lasers and Sisram Medical China are based on factors stated in *the GHG Emissions from Stationary Combustion* published by WRI (5/2015) and the carbon dioxide emission factors provided by Ministry of Ecology and Environment of the People's Republic of China in 2023.
5. In 2022, the decrease in total diesel fuel consumed by the motor vehicles of Sisram Medical China was due to decreased usage of vehicles caused by Covid-19.
6. In 2022, the decrease in total water consumptions of Alma Laser was due to adjusted decreased reporting scope, including Alma Israel, Alma GmbH and Nova Medical.
7. In 2022, the increase on total packaging material used of Alma Lasers was due to business growth of the Group.

## 6. ESG DATABOOK (Continued)

### Employee Right and Benefit

Indicator	Unit	2020	2021		2022		
			Alma Lasers	Sisram Medical China	Alma Lasers	Sisram Medical China	
Total number of employees	No. of ppl	484	578	125	740	111	
Gender	Male	No. of ppl	324	363	78	460	75
	Female	No. of ppl	160	215	47	280	36
Age Group	<30y	No. of ppl	44	60	19	28	23
	30-50y	No. of ppl	367	422	92	549	68
	>50y	No. of ppl	73	96	13	163	20
Employment type	Full-time	No. of ppl	458	553	125	722	111
	Part-time	No. of ppl	26	25	0	18	0
Geographical region	Israel	No. of ppl	262	330	0	399	0
	U.S.	No. of ppl	108	144	0	205	0
	Germany & Austria	No. of ppl	46	46	0	55	0
	India	No. of ppl	29	39	0	49	0
	Australia	No. of ppl	30	8	0	19	0
	South Korea	No. of ppl	6	6	0	9	0
	China Mainland	No. of ppl	–	0	125	0	111
	Hong Kong	No. of ppl	3	5	0	4	0
Total employee turnover rate <sup>1</sup>	%	17.97	15.57	24.8	15.00	46.00	
Gender	Male	%	17.56	14.33	21.79	14.29	33.33
	Female	%	17.98	17.67	29.79	15.00	72.22
Age Group	<30y	%	31.33	23.33	53.85	12.26	34.78
	30-50y	%	18.03	14.69	23.91	16.52	52.94
	>50y	%	8.7	14.58	10.53	9.77	35
Geographical region	Israel	%	13.33	12.12	0.00	14.00	46.00
	U.S.	%	22.86	23.61	0.00	5.00	0.0
	Germany & Austria	%	2.13	21.74	0.00	1.00	0.00
	India	%	49.12	12.82	0.00	1.00	0.00
	Australia	%	14.29	12.5	0.00	0.00	0.00
	South Korea	%	0.00	0.00	0.00	0.00	0.00
	China Mainland	%	–	–	24.8	–	46.00
	Hong Kong	%	0.00	0.00	0.00	0.00	0.00

1. In 2022, the increase on total employee turnover of Sisram Medical China was due to rapid business growth.

## 6. ESG DATABOOK (Continued)

### Health and Safety

Indicator	Unit	2020	2021		2022	
			Alma Lasers	Sisram Medical China	Alma Lasers	Sisram Medical China
Number of work-related fatalities in past three years	No. of ppl	0.00	0.00	0.00	0.00	0.00
Lost days due to work-related injury <sup>1</sup>	No. of days	12.00	24.00	0.00	0.00	270.00

1. In 2022, the increase on lost days due to work-related injury of Sisram Medical China was caused by one work-related injury of one employee at Xing Yuan Da requiring time for recovery.

### Development and Training

Indicator	Unit	2020	2021		2022		
			Alma Lasers	Sisram Medical China	Alma Lasers	Sisram Medical China	
Percentage of employees who received training	%	–	77.45	68.80	78.60	100.00	
Gender	Male	%	86.12	65.38	78.45	100.00	
	Female	%	61.17	74.47	79.85	100.00	
Employee category	Senior	%	100.00	60.00	88.71	100.00	
	Middle-level	%	61.90	100.00	80.00	100.00	
	Supervisory-level	%	88.23	92.86	88.71	100.00	
Total number of training hours received by employees <sup>1</sup>	General	%	67.92	61.86	80.00	100.00	
	Male	hour	–	865	1,029	5,597	344
	Female	hour	–	665	531.50	3,345	231
Gender	Senior	hour	–	200	497.5	2,052	113
	Middle-level	hour	–	56	88.5	1,094	18
Employee category	Supervisory-level	hour	–	89	277.5	656	146
	General	hour	–	51	366	658	74
	General	hour	–	669	663	3,189	106

1. In 2022, the increase on total number of training hours received by employees of Alma Lasers was due to changes on training plan and needs for operation expansions. Meanwhile, the decrease on total number of training hours received by employees of Sisram Medical China was due to Covid-19.

## 6. ESG DATABOOK (Continued)

### Supply Chain

Indicator	Unit	2020	2021		2022	
			Alma Lasers	Sisram Medical China	Alma Lasers	Sisram Medical China
Total number of suppliers	No.	1,045	1,447	669	1,179	224
Geographical region						
MENA (Middle East & North Africa)	No.	403	821	0	492	2
North America	No.	86	101	0	179	0
Asia Pacific	No.	119	35	2	31	13
Europe	No.	437	438	1	421	10
China	No.	–	52	666	56	199
Number of suppliers received assessment on environment, labor and social compliance <sup>1</sup>	No.	–	0	0	30	0
Number of suppliers passed assessment on environment, labor and social compliance	No.	–	0	0	23	0

1. Due to the spread of COVID-19, the Group was unable to conduct any ESG performance evaluation in 2021. The Group restarted supplier assessment in 2022. In 2022, Sisram Medical China has applied lean management regarding the suppliers resulted in the decreased number of suppliers.

### Product Liability

Indicator	Unit	2020	2021		2022	
			Alma Lasers	Sisram Medical China	Alma Lasers	Sisram Medical China
Percentage of total products recalled due to safety and health reasons	%	0	0	0	0	0
Number of products and service-related complaints received <sup>1</sup>	No.	–	5,821	271	8,486	1,086
Percentage of products & services related complaints handled by the company	%	100	100	100	100	100

1. In 2022, the increase on number of products and service-related complaints received was due to business growth.

## 6. ESG DATABOOK (Continued)

### Anti-Corruption

Indicator	Unit	2020	2021		2022	
			Alma Lasers	Sisram Medical China	Alma Lasers	Sisram Medical China
Percentage of directors trained in anti-corruption <sup>1</sup>	%	–	0	25	0	0
Percentage of employees trained in anti-corruption	%	–	0	100	0	0
Average training hours about anti-corruption received by directors	hour	–	0	3	0	0
Average training hours about anti-corruption received by all employees	hour	–	0	5	0	0
Number of concluded legal cases regarding corrupt practices brought against the group or its employees	No.	–	0	0	0	0

1. In 2022, directors and employees of Sisram Medical China attended anti-corruption of FOSUN MEDTECH and did not arrange separate anti-corruption training.

### Community Investment

Indicator	Unit	2020	2021		2022	
			Alma Lasers	Sisram Medical China	Alma Lasers	Sisram Medical China
Corporate Charitable Donations Made	USD	–	30,000	0	15,000	0
Education	USD	–	15,000	–	–	–
Environmental Concerns	USD	–	–	–	5,000	–
Focus Area						
Labor Needs	USD	–	–	–	–	–
Health	USD	–	15,000	–	1,140	–
Culture & Sport	USD	–	–	–	–	–
Other <sup>1</sup>	USD	–	–	–	46,000	–

- 1 Alma Lasers sponsored Support Our Soldiers (SOS) association and 8 teenagers to enlist in IDF with a total amount of US\$46,000.



## 7. ESG REPORTING GUIDE CONTENT INDEX

PART B: Mandatory Disclosure Requirements			
Mandatory disclosure	Relevant chapters in Report		
Governance Structure	2.2 ESG Governance Structure		
Reporting Principle	1 About This Report		
Reporting Scope	1 About This Report		
PART C: “Comply or explain” Provisions			
Subject Areas, Aspects, General Disclosures and KPIs	Relevant chapters in Report	Subject Areas, Aspects, General Disclosures and KPIs	Relevant chapters in Report
<b>A. Environment</b>		<b>B3. Development and Training</b>	4.4 Development & Training
<b>A1. Emissions</b>	3.1 Emission	B3.1	6 ESG Databook
A1.1	6 ESG Databook	B3.2	
A1.2		<b>B4. Labor Standards</b>	
A1.3	6 ESG Databook	B4.1	4.1 Employee Right and Benefit
A1.4		B4.2	
A1.5	3.3 Climate Change	<b>Operation practices</b>	
A1.6		<b>B5. Supply Chain Management</b>	5.3 Responsible Supply Chain
<b>A2. Use of Resources</b>	3.2 Use of Resources	B5.1	6 ESG Databook
A2.1	6 ESG Databook	B5.2	
A2.2	6 ESG Databook	B5.3	5.3 Responsible Supply Chain
A2.3		B5.4	
A2.4	3.2 Use of Resource		5.1 Product Stewardship
A2.5	6 ESG Databook	<b>B6. Product Responsibility</b>	5.2 Cultivating Good Customer Relationship
<b>A3. The Environment and Natural Resources</b>	3.2 Use of Resources		6 ESG Databook
A3.1		B6.1	5.1 Product Stewardship
<b>A4. Climate Change</b>	3.3 Climate Change	B6.2	6 ESG Databook
A4.1		B6.3	
		B6.4	5.1 Product Stewardship
		B6.5	5.3 Customer Information Security and Privacy Protection



**PART C: “Comply or explain” Provisions**

Subject Areas, Aspects, General Disclosures and KPIs	Relevant chapters in Report	Subject Areas, Aspects, General Disclosures and KPIs	Relevant chapters in Report
<b>B. Social</b>		<b>B7. Anti-corruption</b>	
<b>Employment and Labor Practices</b>		B7.1	5.5 Ethical Business Conduct
<b>B1. Employment</b>	4.1 Employee Right and Benefit	B7.2	6 ESG Databook
	4.2 Inclusion and Diversity	B7.3	
B1.1		<b>Community</b>	
B1.2	6 ESG Databook	<b>B8. Community Investment</b>	
<b>B2. Health and Safety</b>	4.3 Health and Safety	B8.1	4.5 Community Investment
B2.1	6 ESG Databook	B8.2	6 ESG Databook
B2.2			
B2.3	4.3 Health and Safety		

## Directors

### Executive Directors

Mr. Yi LIU (劉毅) (*Chairman*)  
Mr. Lior Moshe DAYAN (*Chief Executive Officer*)  
Mr. Bu Guojun (步國軍) (*resigned on 1 January, 2023*)

### Non-executive Directors

Mr. Yifang WU (吳以芳)  
Ms. Rongli FENG (馮蓉麗)  
Mr. Wang Yao (汪曜) (*resigned on May 30, 2022*)

### 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. Qianli Fang (方前厲) (*appointed on January 10, 2022*)  
Ms. Mei Ha Wendy KAM (*resigned on January 10, 2022*)

## Authorized Representatives

Mr. Yi LIU (劉毅)  
Ms. Qianli Fang (方前厲)

## 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

5/F, Manulife Place  
348 Kwun Tong Road, Kowloon  
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*  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
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. Law Firm  
1 Azrieli Center  
Tel Aviv 6702101  
Israel

## Stock Short Name

SISRAM MED

## Stock Code

01696

## Company Website

[www.sisram-medical.com](http://www.sisram-medical.com)

## Definitions

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

<b>“2021 RSU Scheme”</b>	the restricted share units scheme of the Company adopted by the Directors on September 9, 2021 and approved by the Shareholders on November 30, 2021
<b>“AGM” or “Annual General Meeting”</b>	the annual general meeting of the Company
<b>“Alma” or “Alma Lasers”</b>	Alma Lasers Ltd., a company incorporated in Israel with limited liability, a wholly-owned subsidiary of the Company
<b>“Amendment to Sublicense Agreement”</b>	the amendment to sublicense agreement entered into between Sisram Tianjin and Fosun Industrial on December 15, 2022 to amend certain terms of the Sublicense Agreement
<b>“Ample Up”</b>	Ample Up Limited (能悦有限公司), a company incorporated in Hong Kong with limited liability, and a wholly owned subsidiary of Fosun Industrial
<b>“Articles of Association”</b>	the articles of association of the Company currently in force
<b>“APAC”</b>	Asia-Pacific
<b>“AUD”</b>	Australian Dollars, the lawful currency of Australia
<b>“Board” or “Board of Directors”</b>	the board of Directors of the Company
<b>“BLA”</b>	Biologics License Application
<b>“CG Code”</b>	the Corporate Governance Code
<b>“CML”</b>	Chindex Medical Limited (美中互利醫療有限公司), a wholly-owned subsidiary of Ample Up
<b>“CML Beijing”</b>	Chindex (Beijing) International Trade Co. Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of Fosun Pharma
<b>“Company” or “Sisram”</b>	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 Main Board of the Stock Exchange
<b>“Connected Grants”</b>	the grants of RSUs to the Connected Participants under the 2021 RSU Scheme
<b>“Connected Participants”</b>	the Participants who are connected persons of the Company, being certain Directors, certain directors and chief executives of the Company’s subsidiaries
<b>“Controlling Shareholder”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“COVID-19” or “pandemic”</b>	Coronavirus disease 2019
<b>“CPD”</b>	continuous professional development

## Definitions

<b>“DACH”</b>	Germany, Austria and Switzerland
<b>“Director(s)”</b>	the director(s) of the Company
<b>“EGM”</b>	the extraordinary general meeting convened by the Company dated February 9, 2023 in relation to the approving of the Sublicense Agreement
<b>“Fields”</b>	the aesthetic indications for the treatment, minimization, and/or eradication of, or the appearance of any lines or wrinkles on the body, including without limitation, glabellar lines and crow’s feet on the face
<b>“FDA”</b>	Food and Drug Administration of the United States
<b>“FHL”</b>	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
<b>“FIHL”</b>	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
<b>“Foshion”</b>	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
<b>“Fosun Health Fund (Suzhou)”</b>	Suzhou Fujian Xingyi Venture Investment Partnership (Limited Partnership) (蘇州復健星熠創業投資合夥企業(有限合夥)), a limited liability partnership established in the PRC whose general partner is a subsidiary of Fosun Pharma
<b>“Fosun Health Fund (Tianjin)”</b>	Tianjin Fosun Haihe Healthcare Industry Fund Partnership (Limited Partnership) (天津復星海河醫療健康產業基金合夥企業(有限合夥)), a limited liability partnership established in the PRC whose general partner is a subsidiary of Fosun Pharma
<b>“Fosun High Tech”</b>	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
<b>“Fosun Industrial”</b>	Fosun Industrial Co., Limited (復星實業(香港)有限公司), a wholly-owned subsidiary of Fosun Pharma
<b>“Fosun International”</b>	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
<b>“Fosun Pharma”</b>	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
<b>“Fosun Pharma Industrial”</b>	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

## Definitions

<b>“Fosun Pharma Group”</b>	Fosun Pharma and its subsidiaries (excluding the Group)
<b>“Group”, “we”, “us” or “our”</b>	the Company and its subsidiaries
<b>“Head Licensor”</b>	Revence Therapeutics, Inc., a company listed on NASDAQ (ticker symbol: RVNC)
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“HKICPA”</b>	the Hong Kong Institute of Certified Public Accountants
<b>“HKSA’s”</b>	Hong Kong Standards on Auditing
<b>“Hong Kong”</b>	Hong Kong Special Administration Region of the PRC
<b>“IASB”</b>	the International Accounting Standards Board
<b>“IFRSs”</b>	International Financial Reporting Standards
<b>“INR”</b>	Indian Rupees, the lawful currency of India
<b>“Independent Non-executive Director”</b>	the independent non-executive director of the Company
<b>“Licensed Product”</b>	finished form of the injectable pharmaceutical drug product containing daxibotulinumtoxinA, also referred to by Head Licensor as RT002
<b>“Listing Date”</b>	September 19, 2017
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Listing”, “Global Offering” or “IPO”</b>	the initial public offering of the Company’s shares
<b>“M&amp;A”</b>	mergers & acquisitions
<b>“Model Code”</b>	the Model Code for Securities Transactions by Directors of Listed Issuers
<b>“NIS”</b>	New Israeli Shekels, the lawful currency of Israel
<b>“Nova”</b>	Nova Medical Israel Ltd., a private company organised under the laws of Israel
<b>“Non-Compete Deed”</b>	a non-compete deed dated August 30, 2017 that the Company entered into with Fosun Pharma to ensure a clear delineation between the respective businesses of the Group and the remaining Fosun Pharma Group with effect from the Listing Date
<b>“Participants”</b>	individuals who participate in the 2021 RSU Scheme, as defined in the rules of the 2021 RSU Scheme
<b>“Plan Assets”</b>	assets held by a long-term employee benefit fund or qualifying insurance policies

## Definitions

<b>“PRC”</b>	the People’s Republic of China, which for purpose of this annual report only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
<b>“Prospectus”</b>	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
<b>“R&amp;D”</b>	research and development
<b>“Registration Support Service Agreement”</b>	the agreement entered into between Alma and CML Beijing in relation to the provision of the registration support service by CML Beijing to Alma dated December 9, 2019 and as amended on January 21, 2021
<b>“Regulatory Milestone Payments”</b>	the regulatory milestone payments payable by Sisram Tianjin directly to the Head Licensor under the Sublicense Agreement
<b>“Reporting Period”</b>	the year ended December 31, 2022
<b>“ROI”</b>	Return on investment
<b>“Royalty Payments”</b>	the royalty payments payable by Sisram Tianjin to Fosun Pharma Industrial and/or the Head Licensor (as the case may be) as set out in the Sublicense Agreement
<b>“RSU”</b>	a restricted share unit, being a contingent right to receive Shares which is awarded under the 2021 RSU Scheme
<b>“Sale and Purchase Agreement”</b>	the agreement dated April 22, 2021 entered into between the Company, Fosun Pharma and Tianjin Qianda relating to the sale and purchase of the entire issued share capital of Foshion
<b>“Sales Milestone Payments”</b>	the sales milestone payments payable by Sisram Tianjin directly to the Head Licensor under the Sublicense Agreement
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Share(s)”</b>	the share(s) in the capital of the Company
<b>“SPTe”</b>	special preferred technological enterprise
<b>“Sisram Tianjin”</b>	Sisram Medical (Tianjin) Limited * (復銳醫療科技(天津)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
<b>“Stock Exchange”</b>	the Stock Exchange of Hong Kong Limited
<b>“Sublicense”</b>	the sublicense of rights by Fosun Pharma Industrial to Sisram Tianjin in consideration for the Upfront Payment, the Regulatory Milestone Payments, the Sales Milestone Payments and the Royalty Payments pursuant to the Sublicense Agreement

## Definitions

<b>“Sublicense Agreement”</b>	the sublicense agreement between Fosun Pharma Industrial and Sisram Tianjin dated October 26, 2022 with respect to the Sublicense
<b>“Territory”</b>	China mainland, Hong Kong, and Macao Special Administrative Region
<b>“Tianjin Qianda”</b>	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
<b>“Upfront Payment”</b>	the upfront payment payable by Sisram Tianjin to Fosun Pharma Industrial under the Sublicense Agreement
<b>“US\$”</b>	United States Dollars, the lawful currency of the United States
<b>“YOY”</b>	year over year
<b>“2011 Amendment of the Investment Law”</b>	the Law for the Encouragement of Capital Investments, 1959 (as amended in 2011)

\* For identification purpose only