sisram medical

(Incorporated in Israel with limited liability)

Enhancing Quality of Life

2023 Annual Report

Sisram Med
Stock Code: 1696.HK

Contents

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

	Year ended December 31,				
	2023	2022	2021	2020	2019
	US$'000	US$'000	US$'000	US$'000	US$'000
Operating results					
Revenue	**359,292**	354,480	294,294	162,095	173,520
Gross profit	**219,525**	202,226	166,861	90,301	95,874
Profit before tax	**37,130**	44,242	41,672	16,662	24,839
Profit for the year	**32,898**	40,080	32,520	14,680	21,935
Profit attributable to owners of the parent	**31,499**	40,170	31,245	13,344	20,785
Profitability					
Gross margin	**61.1%**	57.0%	56.7%	55.7%	55.3%
Net profit margin	**9.2%**	11.3%	11.1%	9.1%	12.6%

Assets and liabilities

	As at December 31,				
	2023	2022	2021	2020	2019
	US$'000	US$'000	US$'000	US$'000	US$'000
Assets and liabilities					
Total assets	**613,502**	555,601	530,132	431,806	392,832
Total liabilities	**143,977**	123,376	126,507	99,917	67,262
Net assets	**469,525**	432,225	403,625	331,889	325,570
Cash and bank balances	**70,601**	81,548	153,062	116,527	107,792

Note:

The consolidated results of the Group for the five years ended December 31, 2019, 2020, 2021, 2022 and 2023 and the consolidated assets and liabilities of the Group as at December 31, 2019, 2020, 2021, 2022 and 2023 have been extracted from the published audited consolidated financial statements.

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

Steady Growth, Sustainable Success

Along with a weak recovery of the global economy and market dynamics in 2023, the medical aesthetics market rebounded steadily and regionally, and consumer demand trended towards rationality and proactivity. Under the overall pursuit of high-quality life, people's perceptions of seeking beauty have gradually shifted from passive, symptom-based traditional treatment plans to active, preventive, holistic and comprehensive treatment. The need for trustworthy, medical-grade and tailor-made wellness experiences has become a major requirement for consumers. With the trend of diversified and personalized self-pleasing consumption continuing on the rise, the demand for comprehensive wellness solutions is increasing faster.

As a global consumer wellness group deeply rooted in the medical aesthetics industry for many years, the Company has established a development strategy with two key strategic tactics, namely business diversification and direct sales expansion, making continuous progress and moving forward with determination. During the Reporting Period, the Company strengthened its distinguished wellness ecosystem by constantly making steady progress and enriching the diversified product portfolio. At the same time, the Company continued to draw closer to doctors and end consumers as a means of advancing its direct sales presence in strategic markets, thereby comprehensively strengthening the precise coverage from B-end to C-end to Everyone. Moreover, the Company promoted the development of each business unit systematically to create a long-term sustainable development system:

Strengthen product competitiveness and upgrade the product matrix

The Company has increased investment in R&D, accelerated technological updates, and continuously optimized its product portfolio to bring consumers more comprehensive and professional wellness solutions and service experiences. During the Reporting Period, leveraging the advantages of its energy-based device business line and enhancing the integration of beauty and healthcare, the Company achieved great R&D results with a brand-new vascular laser treatment product launched to upgrade its product matrix continuously. For other major and innovative businesses, the Company actively pushed forward the commercialization of Profhilo® and Daxxify® and once again made key progress during the Reporting Period. At the same time, the company promoted the update and upgrade of products in the personal care business segment, targeting the C-end to collectively enhance the Company's product portfolio and market penetration in the medical aesthetics industry and create a new ecosystem with all-round development.

Accelerate the expansion of direct sales in strategic markets and strengthen the global direct sales layout

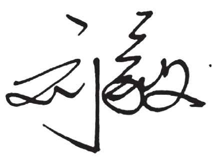
The Company has continued to strengthen the layout of end markets and build a global marketing network. In 2023, the Company established direct sales channels in Dubai and Japan to meet the demands in the Middle East and Asia-Pacific markets and to radiate to and consolidate its presence in the neighboring markets. During the Reporting Period, in order to enhance the penetration and layout in the Asia-Pacific market, the Company acquired PhotonMed, the Chinese distributor and Alma's strategic partner, to strengthen localized operations and cross-regional collaborative empowerment, as well as to accelerate the strategic expansion in the Asia-Pacific market, continuing to enhance the brand awareness and reinforcing its leadership position in strategic markets.

With the emergence of the economy, the demand from consumer is more diversified. People seek to uplift themselves and prioritize their own needs. "I like, I want, I need" has become a pivotal factor in consumer decision-making, reflecting their ongoing journey of self-discovery. The Company delves into medical aesthetic technology and adheres to the mission of consumer-focused branding, continuously catering to consumer needs. During the Reporting Period, the Company further enriched its wellness ecosystem to promote the industry's development with the launch of Sisram Wellness Center in North America, offering comprehensive solutions that prioritize customers' experience, providing trustworthy medical-grade high-quality services to customers and continuously enhancing the quality of their lives.

Pursue excellence, and success will follow. 2023 is a milestone year in the Company's history. In the course of ten years of development, the Company has firmly embraced business diversification and comprehensive growth, evolving from a singular focus on energy-based devices to a diverse portfolio encompassing injectables, personal care, aesthetics, digital dentistry, and beyond, thus establishing a global wellness ecosystem. Over the past decade, the Company has been dedicated to strengthening its global layout and penetration and has established a solid presence across more than 100 countries and regions to satisfy the diversified medical and aesthetic needs of consumers from various markets around the world. At the same time, the Company has accelerated the expansion of direct sales to improve operational efficiency and grasp industry trends accurately. With the integration of digital management into the entire operating system, the Company has achieved the interconnection of resources across multiple departments and business lines so as to enhance the synergy effect of the Company as a whole.

The new year is a new journey. New consumers and new needs represent both new opportunities and challenges for the global medical aesthetics market. However, the most challenging period has passed. We will capitalize on the varying regional economic growth, prioritizing business diversification and expanding direct sales as our strategic initiatives. This approach will drive synergistic growth, enhance our direct sales presence in key global markets, and solidify the development of our unique wellness ecosystem. We will remain true to our original aspirations, guided by the spirit of innovation, as we continue to forge a brighter future ahead.

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

Fostering Clinic-Patient long-term relationships is at the core of Sisram's business proposition

I am thrilled to provide an update on the year 2023, a milestone period for Sisram Medical. In the everevolving era of medical aesthetics, we understand that prioritizing long-term relationships between clinics and patients is not just a strategic maneuver but a crucial paradigm shift driving force behind sustainable business growth.

Sisram clinic-centric approach which places the patient's journey at the core of our efforts enables us to deepen relationships and create a lasting consumer experience. At the heart of our efforts, Sisram continues establishing unique supportive operations that empower clinics to anticipate and meet patient needs and deliver personalized experiences that resonate deeply with their patients, enhancing patient retention.

In 2023, Sisram laid the strategic foundation for the years to come. The previous year presented significant challenges for the entire industry, with high interest rates and global uncertainty impacting the economy, particularly sectors such as durable goods and services, including the medical aesthetic industry, leading to financial crises. Sisram's long-term strategy empowered us to swiftly adapt to dynamic market fluctuations with agility and resilience.

Our response for the current economy trends was characterized by rapid adjustment, resilience and epitomizing effective efficiency in every aspect of our operation, enabled us to strengthen our global leadership and mark consistent growth in strategic markets for the seventh consecutive year.

In our ongoing pursuit of growth and market expansion, our commitment remains steadfast. During this period, significant progress was made in expanding our direct-sales presence in key markets, which serve as key contributors to Sisram's profitable future growth. The company established new strategic subsidiaries in Japan and China, followed by the acquisition of the aesthetic device distributor PhotonMed, while further advancing and leveraging business opportunities through our subsidiaries in the UK and UAE, which recently launched. Furthermore, the company has enhanced its distribution network in Latin America by improving partnerships with key business partners in key territories.

The setup of our direct operation offices in pivotal strategic territories not only streamlined our supply chain but also led to higher average selling prices, enhanced brand visibility, and fortified relationships with partners and clients. In the current reporting period, revenue from direct sales comprised 78% of our total revenue, with sales through distributors making up the remaining 22%. This shift towards direct sales highlights the effectiveness of our strategy and increase profitability.

At the heart of our success has been our dedication to expanding Sisram unique wellness ecosystem with synergetic product line. Sisram is proud to become the only company offering a comprehensive and synergistic product line including flagship in-clinic devices, injectables, high-quality skin care product lines, and innovative home use devices. Our commitment extends to implementing innovative protocols that amplify patient results for various skin indications, while our focus on innovation in the EBD business allows us to sustain our global positioning. This year marked successful launches, including the flagship hair removal device, Soprano Titanium, in North America following FDA approval.

Opus, a transformative skin treatment, gained traction in international markets (outside the U.S) and the Alma Veil, a dual-wavelength vascular laser workstation, made its debut in the U.S.

As a main pillar of our business strategy, we've placed significant emphasis on strengthening the Alma's global brand recognition. The Alma brand stands as a beacon of trust and reliability in the aesthetic industry, serving as a strong vehicle to drive demand and business for our partner clinics. Elevating Alma's global brand and bolstering B2C recognition, the company has announced a two-year collaboration with Hollywood superstar and iconic figure, Kate Hudson, who will serve as the global brand ambassador. This partnership, accompanied by the launch of the "Look Beyond The Trend" campaign, showcases Sisram's brand values to end-consumers, fostering bottom-up demand and enabling effective promotion and sales of our solutions. Additionally, we launched a new global website designed for personalized customer journeys and hosted numerous physicians, global KOLs, and business partners through exclusive industry events at Alma Academy.

Lastly, in our commitment to creating exceptional experiences, Sisram is investing effort in understanding our partners' wishes and desires. This year, we've continued to build the unique software infrastructure for a more human-oriented customer experience that gains insights into clinic performance and the patient journey, as well as establishing a post-sales support system and training customer-facing staff to support clinics and our customers.

The Group's performance for the year 2023 includes revenues of US$359.3 million and gross profit of US$219.5 million, the latter indicating an increase of 8.6% compared to US$202.2 million for the corresponding period of 2022. Total revenues increased 1.4% compared to the revenue for the previous year. Our gross profit margin rose 4.1% to 61.1% for the reporting period, up from 57.0% during the same period in 2022. The gross profit trends, this not only demonstrates our ability to adapt and thrive amid global economic instability, but it also attests to our market dominance in strategic countries.

Outlook

Looking ahead to 2024, Sisram will continue to pursue its constructive disruption strategy by evaluating and implementing near-future technologies, ventures, and synergies within the EBD business to strengthen its global position. The Group's efforts throughout 2024 will strategically focus on corporate leadership in key markets such as APAC and North America, as well as further developing its recently launched business in the Middle East. Additionally, the company will continue to expand its offerings through Sisram's unique wellness ecosystem, aimed at leveraging the building blocks of injectables, skincare, and personal care.

In conclusion, this period marked a significant turning point for Sisram as we laid the strategic foundation for the year to come, extending our global footprint and expanding our high-value offering. Our emphasis on creating long-term Partner-Patient relationships with exceptional experiences for patients, driving innovation, and building brand recognition will undoubtedly set the stage for our continued leadership and growth in new markets.

I would like to extend my gratitude to our employees and business partners across the globe for their unwavering dedication in translating our vision into reality. To our esteemed shareholders, thank you for your trust and confidence. We will persist in our strategic efforts to enhance shareholder value.

Lastly, I would like to thank the Board of Directors, with our longstanding relationship spanning over a decade, your leadership and guidance have been instrumental in strengthen the company's resilience amidst the evolving market dynamics.

Sincerely,

Lior M. Dayan
Chief Executive Officer

1. BUSINESS REVIEW

Sisram is emerging as a distinguished global wellness group, with a firm foundation in the medical aesthetics industry spanning over two decades. With a pioneering spirit, Sisram has devoted to cultivating a unique synergetic ecosystem of business building blocks and consumer-focused branding. Our diverse range includes Energy-Based Devices, injectables, aesthetics and digital dentistry, personal care, and more.

Driven by a relentless pursuit of excellence, Sisram has specialized in researching, developing, and applying technologies harnessed from natural energy sources. This expertise empowers us to provide innovative solutions for medical aesthetics and related clinical indications, setting new standards in the industry both in terms of clinical excellence and innovative breakthrough.

With a vision to create an entire ecosystem for wellness for its partners and consumers, Sisram continues to increase and expand its offering, covering wide range of wellness indications, such as hair removal and hair growth, 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.

Recognized for our achievements, Sisram's award-winning products and services are prominently featured in leading surgical, medical, and beauty clinics worldwide. We bring beauty and health to millions of consumers every year, solidifying our position as a global leader.

Sisram's Group includes leading global brands such as Alma – a world leader and innovator in energy-based medical aesthetics solutions, Copulla – a new, innovative digital dentistry service and LMNT – groundbreaking and consumer-choice home-use brand, which brings professional-grade technology into consumers' homes.

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 exclusive distribution rights in APAC markets such as Mainland China, Hong Kong S.A.R. and India as well as Israel. In addition, the Company has entered into an agreement with Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. to obtain the exclusive right to use, import, distribute and commercialize Daxxify® in mainland China, Hong Kong S.A.R. and Macao S.A.R.. Expanding its dermal injectable line offering, the Company has entered into a strategic partnership with Prollenium®, a Canadian premium FDA-approved dermal filler manufacturer, to distribute renowned Revanesse® dermal fillers collection in several key markets including Germany, Austria, Switzerland, Australia, and New Zealand.

2. BUSINESS REVIEW OF 2023

In 2023, Sisram's global sales and distribution network recorded a total revenue of US$359.3 million for the Reporting Period, representing an increase of 1.4% compared to 2022. The main regions where revenue has increased during the Reporting Period were Asia Pacific with an increase of 11.8% and North America with an increase of 9.2%.

The gross profit increased from US$202.2 million in 2022 to US$219.5 million in 2023, representing an increase of US$17.3 million. The gross profit margin in 2023 amounted to 61.1%, representing an increase of 4.1 percentage points compared to 57.0% in 2022. The increase in gross profit and gross profit margin was primarily driven by the successful execution of our expanded direct presence strategy, led by our acquisition and new establishment of direct operation office in P.R.C territory. This initiative enabled the Company to increase the average selling prices while leveraging growth in other APAC offices, culminating in expanded gross profit margins in 2023. The portion of revenue derived from direct sales has reached 78% vs. 22% attributed to distributors, compared to 66% direct sales and 34% attributed to distributors for the corresponding period in 2022.

For the Reporting Period, the Group recorded profit before tax of US$37.1 million and profit for the year of US$32.9 million, representing a decrease of 16.1% and 17.9% respectively, when compared to the year ended December 31, 2022. The decrease in profit before tax and profit for the year was mostly due to an increase in selling and distribution expenses (US$25.6 million), an increase in administrative expenses (US$5.0 million) and an increase in finance costs (US$0.4 million), mostly due to establishment of new direct offices and cost related to brand ambassador project.

For the Reporting Period, the Group recorded an adjusted net profit of US$37.5 million representing a decrease of 22.9% when compared with the corresponding period of 2022. The adjusted net profit margin for the Reporting Period was 10.4%. The terms of adjusted net profit and adjusted net profit margin are not financial measures defined under IFRSs. Please see "Financial review – Adjusted net profit and adjusted net profit margin" section below for further details.

The net cash flow from operating activities amounted to US$43.9 million, representing an increase of 99.4% when compared to 2022. The increase in 2023 was primarily attributable to better payment terms as a result of mixed direct customers.

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

1. **Supporting Stakeholders:**
    - Providing support to employees and business partners during challenging times.

2. **Adapting Operations:**
    - Adjusting the ongoing operational scope based on market dynamics, while maintaining a balance across essential elements such as sales, production, distribution, and service.

3. **Strategic Investments:**
    - Continuing investments in strategic projects, including:
        - Upgrading IT infrastructures;
        - Funding R&D projects;
        - Conducting clinical studies; and
        - Driving business development initiatives such as injectables division.

4. **Financial Protection:**
    - Protecting the Company's cash reserves.

5. **Ecosystem Growth:**
    - Expanding the ecosystem with diverse business lines and consumer brands, aligning with the Group's long-term strategic vision. The expansion includes business in injectables, personal care (home-use device and skincare) and aesthetic dentistry.

R&D

- R&D expenses amounted to US$18.0 million.
- During the Reporting Period, the Company launched three products into new territories:
    - Soprano Titanium™ – Alma's flagship equipment platform for hair removal was introduced to North America market following regulatory FDA clearance.
    - Opus was introduced to international markets outside US. Opus is a non-invasive RF equipment platform for skin resurfacing and face tightening, featuring fractional RF technology and the unique Opus plasma applicator.

- Alma Veil™ was launched in North America further expanding the targeted range of customers and areas of treatment. The workstation effectively targets a wide range of common dermatological and vascular conditions including vascular lesions with 532 nm, deeper vascular lesions with 1,064 nm, and skin quality concerns without downtime using MicroPulse™, seamlessly integrated into a single handpiece.

- On the clinical research front, the Group has conducted 20 clinical and preclinical studies (including sponsored & investigator sponsored trials) during the Reporting Period, in the aesthetics, dermatology, plastic surgery, and gynaecology fields.

- On the intellectual property front, the Company has made significant progress, including applying for several new patents in the field of lasers, RF and ultrasound, securing granted patents in the field of ultrasound, registering new designs, and obtaining a considerable number of trademarks.

- On June 12, 2023, the Company received the clearance from the U.S. Food and Drug Administration ("**FDA**") for marketing VorFat System ("**Device**"), which adopts a new technique of micronized fraction of the adipose tissue independently developed by the Company, in the United States. The Company believes that FDA's clearance of the Device will further strengthen the Company's product portfolio and product competitiveness and will also solidifies the Company's position as one of the technology and market leaders in the global aesthetic market. Please refer to the announcement of the Company dated June 16, 2023 for further information.

- In addition, the Company obtained 2 additional FDA clearances with respect to Soprano and Harmony product family and 1 CE clearance for Opus.

- LMNT (medical-grade home beauty device) launched the 2nd generation product LMNT O_2.

Sales and Marketing

Sisram has dedicated significant efforts to implementing a corporate strategy tailored to the unique characteristics of local countries and states, while also providing close support to its subsidiaries in reaching regional growth milestones. Sisram is making substantial investments in enhancing brand recognition among both professionals and end-consumers, while maintaining its leadership position as a high-end global brand.

During the Reporting Period, the following milestones have been accomplished:

- As part of the effort to build robust infrastructure for following years, in 2023 Sisram has established new offices, Japan and China and significantly advanced its UK and UAE subsidiaries, in full alignment with its growing direct sales strategy. The Company has straightened its distribution infrastructure in Latin America by betterment of business partner in leading territory.

- The Company is investing efforts in shifting the business mindset from product approach to clinic-centric approach (from B2B to modern B2B and B2C) and expanding its offering of high-value and high-demand advanced products, such as one-of-a-kind skincare product line and high-end injectables portfolio. The Company invested in resources to train dedicated sales team for powerful execution of this sales approach.

- Sisram has launched a new global website for its flagship energy-based device company, Alma. The website is designed with a strong emphasis on personalization for patients and a unique and innovative customer journey.

- Alma Academy events were successfully conducted, including Alma Academy Italy and two Alma Academies in US, which brought together thousands of physicians, global Key Opinion Leaders (KOLs), and business partners from around the world.

- Focusing on enhancing business relationships through participation in leading international industry congresses worldwide, such as IMCAS and WCD tradeshows.
- Launching of the first Sisram Wellness Center. The center is a unique physical center located in downtown Chicago, enabling the Company to interact daily with professionals and patients, better understand their pain points, and help professionals integrate quickly and efficiently into the industry.
- Continued development of social media strategies, focusing on market education, brand awareness, and business growth.

Mergers & Acquisition ("M&A")

References are made to the announcements of the Company dated March 30, 2023 and June 29, 2023.

On March 30, 2023, Alma Hong Kong 2023 Limited ("**Alma HK**"), an indirect wholly-owned subsidiary of the Company, entered into (i) the asset purchase agreement (the "**Asset Purchase Agreement**") with PhotonMed International Limited ("**PhotonMed HK**") and Ms. Zhou Mei (the "**Owner**"), and (ii) the shareholders agreement with PhotonMed HK, the Owner and Alma Lasers Ltd. ("**Alma Lasers**"), pursuant to which Alma HK has agreed to purchase and PhotonMed HK, the Owner and their associates (collectively the "**Sellers**") have agreed to sell all business activities related to the distribution of products of Alma Lasers in China carried on by the Sellers or other related entities thereof as of the date of the Asset Purchase Agreement and at the effective date set out thereof (comprising the assets, property or rights of the Sellers or the leased properties relating to such business activities) (the "**Acquisition**"). The Acquisition was completed on June 28, 2023. Upon completion, Alma Lasers and PhotonMed HK each holds 60% and 40% of the total issued shares of Alma HK, respectively.

The Acquisition strengthens the Company's direct-to-consumer strategy and will improve the Group's leadership position and brand awareness in Asia Pacific market.

Business Development

New Products

During the Reporting Period, the National Medical Products Administration (the "**NMPA**") has accepted registration application of multiple new products, including Profhilo®, an injectable product exclusively distributed by the Company in Mainland China, and RT002 (DaxibotulinumtoxinA), product sublicensed by Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司). Please refer to the announcements of the Company dated November 29, 2023 and 11 April, 2023 for further information.

In January, 2024, the Company has entered into a strategic partnership with Prollenium®, a Canadian premium FDA-approved dermal filler manufacturer, to expand its injectables product portfolio and offer a unique combination of high-quality dermal filler with energy-based devices to enhance the effectiveness and longevity of various common aesthetic treatments. Please refer to the announcement of the Company dated January 8th, 2024.

New Direct Offices

During the Reporting Period, the Company established a new direct office in Japan. The new direct office starts with the business of energy-based devices and gradually expand into the Company's wellness ecosystem business units such as personal care, injectables and aesthetic dentistry. The Company considers Japan market, with significant demand for wellness products and services, is an important strategic market to further improve the Company's market recognition and business growth in Asia. The Company believes that the establishment of new direct office in Japan will promote Sisram's full portfolio as wellness ecosystem and enhance the Company's overall customer experience and product competitiveness in Asia, which would benefit the Company and its shareholders as a whole. Please refer to the announcement of the Company dated November 13, 2023 for further information.

During the Reporting Period, the Company has established a new direct business office in Dubai, the United Arab Emirates (the "**UAE**"). The new direct business office will serve as the trading hub in the Middle East market and will start with the business of energy-based devices and gradually expand into the Company's wellness ecosystem business units such as personal care, injectables and aesthetic dentistry. The UAE is an important economy in the Gulf Cooperation Council. Alma Lasers Ltd., a wholly owned subsidiary of the Company has been offering wellness solutions in the UAE and other countries in the Middle East through distribution channels since 2008. The Company believes that the establishment of new direct business channel in Dubai will promote the Company's full portfolio as wellbeing ecosystem and enhance overall UAE customers' experiences and promote product competitiveness in the UAE, which would maximise the return to its shareholders and benefit the Company and its shareholders as a whole. Please refer to the announcement of the Company dated February 21, 2023 for further information.

New Wellness Center

On June 9, 2023, the Company has opened its first wellness center – Sisram Wellness Center in downtown Chicago. The center offers a comprehensive range of advanced medical aesthetic services in skin health, beauty, and wellness. The Company will also integrate trusted brands such as Alma® within the framework of the center. With a team of highly skilled professionals, licensed practitioners, and skin health specialists, the center is committed to providing exceptional care tailored to everyone's unique needs and concerns. The opening of the center will enable the Company to gather valuable insights from end-users, placing their needs and aspirations at the forefront, so as to strengthen the Company's brand image and solidify its market position, which represents a momentous step towards the Company's strategic goals. Please refer to the announcement of the Company dated June 14, 2023 for further information.

Operations

The Group has taken steps to improve production efficiency by implementing new lean production processes and has utilized a new import methodology, resulting in a decrease in manufacturing overhead expenses, thus contributing to improvement in gross profit margins. Strong emphasize was placed on improving quality performances KPI's such as FPY (First Pass Yield) and new platforms performance. As part of our continued effort to drive operational efficiency, the Company has executed a vertical integration of manufacturing process.

As at the date of this announcement, the Company's production line in Israel is operating normally. The current inventory levels in Israel and globally remain sufficient to meet customer demand.

Information Systems and Digital

Over the recent years, Sisram continuously invested significant resources in standardization, streamlining and digitalization of the Company's processes by implementation of state-of-the-art business applications. In the Reporting Period, the Company has rolled out a global CRM system, integrated with existing applications suite, unifying the sales processes across the Company's subsidiaries, and has digitized the workflow of the sales and marketing in our existing and new direct sites. In addition, the Company has added digital tools to manage the expansion of the global supply chain.

3. OUTLOOK FOR 2024

In 2024, Sisram will continue to execute our strategy by evaluating and implementing near-future technologies and extending the Company's global footprint according to the direct sales approach. The Group's efforts throughout 2024 will strategically focus on corporate leadership in strategic markets (APAC and North America) and further developing its recently launched business in the Middle East. The Company will also continue expanding its offerings through Sisram's unique wellness ecosystem and become the only company offering such a comprehensive and synergetic product line with strategical focus on utilizing the building blocks of injectables, skincare, and personal care. Energy-based device (EBD) innovation remains a key strategic focus in 2024.

Additionally, Sisram will continue to establish a robust human-software infrastructure to enhance customer interactions and maintain partner-patient long-term relationships through supportive operations to the clinics and post-sales teams. Furthermore, the Company will enhance brand awareness among end-consumers to strengthen global brand recognition and create bottom-up demand for the Company's solutions that will eventually drive business to its partners, impacting their growth.

In addition, we plan to:

3.1 Complete the registration application of injectables such as Profhilo® and Daxxify® in China.

3.2 Expand our offerings within the new injectable business unit.

3.3 Reinforce our leadership in strategic markets (APAC & US) by deeper market penetration and stronger engagement with partners and customers.

3.4 Expand Alma's unique ecosystem offering through high-value and high-demand advanced products such as the launch of new concepts in skincare products.

3.5 Research and development efforts are focused on launching our new flagship product, ensuring stable post-launch sales, and continuously exploring combined treatment solutions in the market.

3.6 Follow our ecosystem strategic planning by searching, evaluating, and executing relevant M&A's initiatives that will further strengthen our R&D capabilities, products portfolio and distribution channels; and

3.7 Leverage Fosun Pharma's resources in China to deepen market penetration and expand offerings tailored to the Asian market segments, including injectables, beauty, and cosmeceuticals. Additionally, Sisram will further invest in expanding the Group's presence and operations in China through Sisram's China office. This office will oversee various strategic initiatives aimed at enhancing market presence, developing focused offerings, and capitalizing on synergies with Fosun Pharma, affirming our commitment to investing and growing in the Chinese market.

4. FINANCIAL REVIEW

Overview

Sisram, a global consumer wellness group, is deeply rooted in the global medical aesthetics industry for over two decades, specializing in harnessing natural energy sources for the treatment of aesthetics as well as medical clinical indications.

Our vast products and treatments portfolio is constantly expanding, ranging from 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:

	2023		2022		YOY %
	(US$ in thousands, except for percentages)				
	Amount	**% of revenue**	Amount	% of revenue	
Revenue	**359,292**	**100.0%**	354,480	100.0%	1.4%
Cost of sales	**(139,767)**	**38.9%**	(152,254)	43.0%	(8.2)%
Gross profit	**219,525**	**61.1%**	202,226	57%	8.6%
Other income and gains	**1,970**	**0.5%**	1,326	0.4%	48.6%
Selling and distribution expenses	**(125,345)**	**34.9%**	(99,684)	28.1%	25.7%
Administrative expenses	**(34,092)**	**9.5%**	(29,075)	8.2%	17.3%
Research and development expenses	**(18,029)**	**5.0%**	(18,023)	5.1%	0.0%
Other expenses	**(4,033)**	**1.1%**	(10,035)	2.8%	(59.8)%
Finance costs	**(2,445)**	**0.7%**	(1,972)	0.6%	24.0%
Share of profits and losses of associates	**(421)**	**0.1%**	(521)	0.1%	(19.2)%
Profit before tax	**37,130**	**10.3%**	44,242	12.5%	(16.1)%
Income tax expense	**(4,232)**	**1.2%**	(4,162)	1.2%	1.7%
Profit for the year	**32,898**	**9.2%**	40,080	11.3%	(17.9)%

(a) Revenue

During the Reporting Period, revenue of the Group increased from US$354.5 million to US$359.3 million, representing an increase of 1.4% when compared to 2022. The overall increase was primarily attributable to revenue growth in direct offices, mainly North America and newly established PRC office.

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:

	2023		2022		YOY %
	(US$ in thousands, except for percentages)				
	Amount	**% of revenue**	Amount	% of revenue	
Sale of Goods:					
Medical Aesthetics	**316,627**	**88.1%**	306,853	86.6%	3.2%
Dental	**9,412**	**2.6%**	18,605	5.2%	(49.4)%
Injectables	**10,050**	**2.8%**	9,195	2.6%	9.3%
Subtotal	**336,089**	**93.5%**	334,653	94.4%	0.4%
Services and Others	**23,203**	**6.5%**	19,827	5.6%	17.0%
Total	**359,292**	**100.00%**	354,480	100.0%	1.4%

We derived a substantial majority of our revenue from our Medical Aesthetics product line, representing 88.1% of our total revenue for the Reporting Period. This includes our flagship non-invasive medical aesthetics treatment systems: “Soprano”, “Harmony” and “Accent” platforms. Revenue from the sale of our Medical Aesthetics product line was US$316.6 million in 2023, representing an increase of 3.2% in comparison with a revenue of US$306.9 million in 2022. The increase was mainly due to expansion of addressable indications into hair restoration segment.

Revenue from the Dental business line amounted to US$9.4 million during the Reporting Period, representing a decrease of 49.4% as compared with 2022, mainly due to discontinuation of a less profitable product lines, which contributed to improvement in Group’s gross profits. The Company is working on building a new and a more profitable market offering for Dental business line.

Revenue from Injectable line, another major building block in our comprehensive market offering, amounted to US$10.1 million, representing an increase of 9.3% as compared with 2022, mainly related to the growth in the APAC market.

The revenue from service and others amounted to US$23.2 million, representing an increase of 17.0% as compared with 2022.

Revenue by geographic segments

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

	2023		2022		YOY %
	(US$ in thousands, except for percentages)				
	Amount	% of revenue	Amount	% of revenue	
North America	156,891	43.7%	143,664	40.5%	9.2%
APAC	109,685	30.5%	98,069	27.7%	11.8%
Europe	50,181	14.0%	58,323	16.5%	(14.0)%
Middle East and Africa	27,235	7.6%	36,582	10.3%	(25.6)%
Latin America	15,300	4.2%	17,842	5.0%	(14.2)%
Total	359,292	100.0%	354,480	100.0%	1.4%

During 2023, 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 a hundred countries worldwide, including 11 direct channel offices.

The revenue derived from North America increased by 9.2% to US$156.9 million in 2023 from US$143.7 million in 2022. The increase was primarily attributed to continued success of hair restoration segment.

The revenue derived from APAC increased by 11.8% to US$109.7 million in 2023 from US$98.1 million in 2022. The increase was mainly attributed to successful operation of our direct operation offices such as China, India, Korea and Australia.

The revenue derived from the Europe segment decreased by 14.0% to US$50.2 million in 2023 from US$58.3 million in 2022. The decrease was mainly attributed to challenging macroeconomic environment, and high interest rates impacting our customers decision to purchase capital equipment and Russia – Ukraine conflict.

The revenue derived from Middle East and Africa decreased by 25.6% to US$27.2 million in 2023 from US$36.6 million in 2022. The decrease was mainly attributed to New Israeli Shekels exchange rate impact vs. 2022 and the conflict in Israel.

Our Latin America revenue decreased by 14.2% to US$15.3 million in 2023 from US$17.8 million in 2022. The decrease was due to political uncertainty and economic crisis in Argentina.

(b) Cost of sales

Cost of sales primarily comprised from (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 decreased by 8.2% to US$139.8 million from US$152.3 million in 2022, which was mainly caused by growth of direct offices revenue portion, which is expanding our gross profit and enhancing efficiency of cost control and cost reduction processes.

(c) Gross profit and gross profit margin

During the Reporting Period, gross profit of the Group increased by 8.6% to US$219.5 million from US$202.2 million in 2022 for the reasons set out in revenue and cost of sales above.

The gross profit margin increased to 61.1% for the Reporting Period from 57.0% in 2022. The increase was mainly due to expansion of direct offices revenue portion.

(d) Selling and distribution expenses

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

During the Reporting Period, selling and distribution expenses of the Group increased by 25.7% to US$125.3 million from US$99.7 million in 2022. The increase was mainly due to cost of newly established direct offices and Brand ambassador project.

(e) Administrative expenses

Administrative expenses mainly related to Finance, IT, HR and facilities, primarily consist of: (i) amortization of intangible assets related to M&A; (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 17.3% to US$34.1 million from US$29.1 million in 2022. The increase was mainly attributed to amortization of intangible assets related to recent M&A transaction and headcount cost attributed to our newly established and acquired direct offices.

(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 and 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 amounted to US$18.0 million which was similar to 2022. The Group continued to invest significant resources in two main areas: clinically and regulatory supported development of new generations of Sisram's leading products and innovative research of new applications, to keep our competitive edge as leading innovator.

(g) Finance costs

Finance costs are comprised mainly of (i) interest on bank loans and (ii) interest on lease liabilities. Finance costs increased to US$2.4 million in 2023 from US$2.0 million in 2022, which was primarily due to increase in interest expense on lease liabilities as a result of new direct offices.

(h) Income tax expense

The Israeli corporate tax rates are both 23% in 2023 and 2022. 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 amounted to US$4.2 million, which was approximately the same as US$4.2 million in 2022.

The Group's effective tax rates for 2023 and 2022 is 11.4% and 9.4%, respectively.

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.

As of December 31, 2023, Alma enjoyed a preferential effective tax rate of 6%, for being a SPTE for the period ended December 31, 2023 (2022: 6%).

In order to streamline the Alma's distribution system and maximize the existing synergy between the group companies, Alma and Nova carried out a structural change in order to concentrate and consolidate their business activities within a single legal entity that is Alma.

On February 26, 2022 Alma and 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. The merger for taxation purpose is effective as of January 1, 2022.

(i) Profit for the year

As a result of the foregoing, during the Reporting Period, our profit for the year decreased by 17.9% to US$32.9 million from US$40.1 million for the corresponding period in 2022. The net profit margin of the Group for 2023 and 2022 was 9.2% and 11.3%, 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 relates to M&A transactions; (ii) deferred tax liability arising from other intangible assets, which primarily relates acquisitions; (iii) RSU Expenses; (iv) Previous years taxes (Clawback earnings); and (v) One-off adjustment. The Group calculates adjusted net profit margin by dividing adjusted net profit by revenue.

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

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

	2023 US$ '000	2022 US$ '000	YOY %
PROFIT FOR THE YEAR	**32,898**	40,080	(17.9)%
Adjusted for:			
Amortization of other intangible assets arising from the Alma acquisition	**3,526**	4,611	(23.5)%
Amortization of other intangible assets arising from the Nova acquisition	**478**	478	0.0%
Amortization of other intangible assets arising from the Foshion acquisition	**421**	438	(3.9)%
Amortization of other intangible assets arising from acquisition of the business of Alma China	**2,076**	–	–
One-off VAT adjustment	**(1,010)**	–	–
Previous years taxes (Clawback earnings)	**–**	920	(100.0)%
RSU expenses	**492**	3,166	(84.5)%
Deduct: deferred tax arising from other intangible assets	**(1,399)**	(1,061)	31.9%
Adjusted net profit	**37,482**	48,632	(22.9)%
Adjusted net profit margin	**10.4%**	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 Company is the U.S. Dollar and most of the sales proceeds are denominated in U.S. Dollar. Please see "Risk Management – Foreign Currency Exposure" for further details. The Group generally finances its operation with internally generated resources.

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

(b) Gearing Ratio

As of December 31, 2023, and December 31, 2022, 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 16.2 times as compared with 24.6 times for the corresponding period in 2022. The interest coverage decreased mainly because decrease in the income before income taxes.

(d) Available Banking Facilities

As of December 31, 2023, Sisram did not have any banking facilities. Sisram is mainly financing its operations through cash generated from operating activities.

(e) Interest Rate

As of December 31, 2023, total interest-bearing bank and other borrowings at a fixed interest rate amounted to US$4.4 million (As of December 31, 2022: US$5.7 million).

(f) Maturity Structure of Outstanding Debts

The following tables sets forth the maturity structure of outstanding debts as of December 31, 2023 and December 31, 2022.

	2023			2022		
	Effective interest rate (%)	**Maturity**	**US$'000**	Effective interest rate (%)	Maturity	US$'000
Current						
Bank and other borrowings*	**4.10-4.15**	**2024**	**4,421**	3.7-4.15	2023	5,743

* Other borrowings are due from the Group's related parties.

6. CASH FLOW

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

The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for 2023 and 2022.

	2023 US$'000	2022 US$'000	YOY %
Net cash flows from operating activities	**43,936**	22,039	99.4%
Net cash flows used in investing activities	**(32,995)**	(52,113)	(36.7)%
Net cash flows used in financing activities	**(20,966)**	(17,847)	17.5%
Net decrease in cash and cash equivalents	**(10,025)**	(47,921)	(79.1)%
Cash and cash equivalents at beginning of year	**74,793**	124,920	(40.1)%
Effect of foreign exchange rate changes, net	**(4,233)**	(2,206)	91.9%
Cash and cash equivalents at the end of the year	**60,535**	74,793	(19.1)%
Pledged bank balances for bank loans	**140**	134	4.5%
Term deposits with original maturity of more than three months	**9,926**	6,621	49.9%
Cash and bank balances as stated in the consolidated statement of financial position	**70,601**	81,548	(13.4)%

Net cash flows from operating activities

For the Reporting Period, the net cash flows from operating activities were US$43.9 million, which was primarily attributable to better payment terms as a result of mixed direct customers which resulted in decrease in days of sales outstanding from 87 to 79, compared to 2022.

Net cash flows used in investing activities

For the Reporting Period, the net cash flows used in investing activities were US$33.0 million, which was mainly attributable to (i) acquisition of a subsidiary in the amount of US$32.2 million; (ii) US$8.6 million in purchase of plant and equipment; (iii) maturity of short-term bank deposits with the amount of US$6.9 million; and (iv) interest received amount of US$0.9 million.

Net cash flows used in financing activities

For the Reporting Period, the net cash flows used in financing activities was US$21.0 million, which was primarily attributable to (i) dividend paid to shareholders (including tax) of US$10.5 million; (ii) payment of lease payments and interest paid under IFRS 16 of US$6.0 million; (iii) repayment of bank loans, net of US$1.2 million; (iv) payment to settlement of foreign currency forward contracts of US$2.8 million and (v) interest paid of US$0.5 million.

7. CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

During the Reporting Period, capital expenditures of the Group amounted to US$8.6 million, which mainly consisted of leasehold improvements.

As of December 31, 2023, the Group did not have any significant capital commitments.

8. CONTINGENT LIABILITIES

As at December 31, 2023, the Group did not have any contingent liabilities.

9. MATERIAL ACQUISITION AND DISPOSAL

Save as the Acquisition disclosed under the section "2. Business Review of of 2023 – Mergers & Acquisition" above, during the Reporting Period, the Group did not conduct any other 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. There is no maximum entitlement of each Participant under the 2021 RSU Scheme.

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. The 2021 RSU Scheme is valid and effective for the period commencing on November 30, 2021 and expiring on the 5th anniversary (being November 30, 2026) and no RSUs shall be granted thereafter.

The maximum aggregate number of shares that may be issued under the RSU Scheme shall not exceed 22,107,780 Shares, representing 4.7% of the total number of issued Shares on the date of this announcement.

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.

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, 2023 and December 31, 2023, 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 year 2023 divided by the weighted average number of shares in issue for the year 2023 is nil.

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$492,000 for the year ended December 31, 2023 (for the year ended December 31, 2022: US$3,165,695).

As at December 31, 2023, the 1,049,352 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 0.68% of the Company's shares in issue as at December 31, 2023.

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

	Unvested as at January 1, 2023[1]		Vested during the Reporting Period			Unvested as at December 31, 2023[1, 2]	
Grantees	Number	Date of grant	Number	Weighted average closing price of the shares immediately before the dates on which the awards were vested	Expired/ lapsed during the Reporting Period	Number	Date of grant
Mr. Yi LIU	165,000	December 2, 2021	55,000	5.16	55,000	55,000	December 2, 2021
Mr. Lior Moshe DAYAN	600,000	November 30, 2021	200,000	5.16	200,000	200,000	November 30, 2021
Mr. Doron YANNAI	137,617	November 30, 2021	45,873	5.16	45,873	45,871	November 30, 2021
Five highest paid individuals[3]	600,000	November 30, 2021	200,000	5.16	200,000	200,000	November 30, 2021
	170,456	December 2, 2021	56,819	5.16	56,819	56,818	December 2, 2021
Other grantees by category	2,159,031	December 2, 2021	692,801	5.16	774,569	691,661	December 2, 2021

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 There were no awards granted or cancelled during the Reporting Period.

3 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 announcement, there were no other significant investments held as at December 31, 2023. 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 several factors as illustrated below:

(a) Foreign Currency Exposure

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

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

(b) Interest rate exposure

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

13. EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth the number of our employees by function as at December 31, 2023:

Functions	Number of Employees
Operations	287
R&D	97
Sales & Marketing	544
General and Administration	152
Total	1,080

Employees' headcount in 2023 increased by 27.0% with the recruitment of 229 employees. R&D activity is conducted by 97 employees, representing 22.3% 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 placees 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 19 July 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 RT002 (subject to the approval by the independent Shareholders for the sublicense agreement entered into between the Company and Fosun Industrial on 14 July 2021 and the transactions contemplated thereunder) 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 been fully utilised.

An analysis of the application and utilisation of the net proceeds from the Placing as at December 31, 2023 is set out below:

Allocation of the net proceeds		Allocation of the net proceeds (HK$ million)	Unutilised amounts as at December 31, 2022 (HK$ million)	Utilised amounts during the Reporting Period (HK$ million)	Unutilised amounts as at December 31, 2023 (HK$ million)
(a)	Development and operation of the Group's injectables businesses and aesthetic dentistry and personal care business units	546	71	71	–
(b)	Expansion of the Group's global sales channels	61	61	61	–
(c)	General working capital	8	8	8	–
Total		**615**	**140**	**140**	**–**

Report of Directors

The Board is pleased to present its 2023 annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2023.

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, 2023 are set out in the Consolidated Statement of Profit or Loss on page 60.

The Board has resolved to declare a final dividend of HK$0.158 (inclusive of tax) per Share for the year ended December 31, 2023.

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 6 and "Management Discussion and Analysis" on pages 7 to 25, respectively of this annual report. The principal risks and uncertainties facing the Company are set out in the Corporate Governance Report 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 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, 2023 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, 2023, no property, plant and equipment was pledged to banks as loan security (December 31, 2022: 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, 2023, 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, 2023, calculated in accordance with Israeli rules and regulations, was US$156.3 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 30% of total purchases of the Group, and the aggregate amount of revenue attributable to the Group's five largest customers was less than 30% of total revenue 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. Yifang WU and Mr. Kai Yu Kenneth LIU 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 51 to 54 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 7 to 25 of this annual report.

Details of the remuneration to Directors and chief executives, senior management 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 December 31, 2023. 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, 2023, 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 C3 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 International	Ordinary Shares	Beneficial owner	330,000	0.00%
	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	72,880	N/A
Rongli FENG	Fosun Pharma	A shares	Beneficial owner	113,500	0.01%

Save as disclosed in the foregoing, as at December 31, 2023, 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, 2023, 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)[1]	27.18%
Ample Up[2]	Beneficial owner	207,186,160(L)	44.24%
	Interest in controlled corporation	127,318,640(L)	27.18%
		334,504,800 (L)	71.42%
Fosun Industrial[3]	Interest in controlled corporation	334,504,800 (L)	71.42%
Fosun Pharma[4]	Interest in controlled corporation	334,504,800 (L)	71.42%
Fosun High Tech[5]	Interest in controlled corporation	334,504,800 (L)	71.42%
Fosun International[6]	Interest in controlled corporation	334,504,800 (L)	71.42%
FHL[7]	Interest in controlled corporation	334,504,800 (L)	71.42%
FIHL[8]	Interest in controlled corporation	334,504,800 (L)	71.42%
Guangchang GUO[9]	Interest in controlled corporation	334,504,800 (L)	71.42%

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 334,504,800 Shares which Ample Up is interested in, comprising 207,186,160 Shares held by Ample Up and 127,318,640 Shares held by CML.

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

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

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

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

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

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

Save as disclosed herein, there is no other person known to the Directors or chief executive of the Company who, as at December 31, 2023, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 under Part XV of the SFO or who is, directly or indirectly, interested in 5% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

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 did not make any 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 2023.

Save as disclosed in this annual report, during the year ended December 31, 2023 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. During the Reporting Period, the Company has complied with all the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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 37 to the financial statements. The continuing connected transactions of the Company disclosed herein constitute related party transactions set out in note 37 to the financial statements. All other related party transactions as described in note 37 to the financial statements do not constitute "continuing connected transaction" or "connected transaction" of the Company 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

There was no significant event that took place after the Reporting Period and up to the date of this annual report.

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, 2023, 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 20, 2024

The Board hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2023 (the "**Reporting Period**").

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. By maintaining good corporate governance and enhancing transparency and accountability, the Board effectively implements corporate governance and monitors, assesses and manages major risks arising in the ordinary course of business, in an effort to protect the interests of shareholders and enhance corporate value.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix C1 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.

CORPORATE CULTURE AND STRATEGY

Positioning itself as a global wellness group, Sisram has been focusing on providing innovation solutions for medical aesthetics and related clinical indications over two decades with an aim to provide diverse range of products and cultivate a consumer-focused branding leveraging on its unique ecosystem for wellness. Sisram has been dedicated itself to providing high-quality products and services to leading surgical, medical and beauty clinics worldwide and putting its corporate culture of improving quality of life into practice, so as to offer distinguished and excellent service experiences for one who seeks for wellness.

Over all these years, the Company has been adhering to the spirit of ingenuity and its true aspiration and advocating sustainable development in business operations. With prudent yet innovative risk strategies, the resilience in coping with risks of the Company has been improved constantly. Through implementing and adhering to its positive cultural value, the Company is able to create greater value for its customers and shareholders.

Being committed to promoting corporate culture and values, the Board and senior management attach great importance to, and continuously put efforts in, the development of corporate culture. The alignment between the culture and strategies of the Company is evaluated and continuously optimized from time to time. With effective employee training, optimized employee incentive and accountability mechanisms as well as effective and feasible whistle-blowing mechanisms, employees can gain a better understanding of corporate culture and value while the Company can create an ideal workplace and ensure strict compliance with corporate standards in the ordinary course of business.

The Company believes that its culture is critical to the successful execution of its strategies, and well aligned with such strategies.

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 C3 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

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 51 to 54 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

Each Director has entered into a letter of appointment with the Company and will continue thereafter unless terminated by either party giving to other three months' written notice in advance. The appointment of Directors is subject to the provision of retirement and rotation of directors under the Articles of Association.

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. Yifang WU and Mr. Kai Yu Kenneth LIU being the group I Directors, will retire and being eligible, offer themselves 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.

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[Note]
Executive Directors	
Mr. Yi LIU	A and B
Mr. Lior Moshe DAYAN	A and B
Non-executive Directors	
Mr. Yifang WU	A and B
Ms. Rongli FENG	A and B
Independent Non-executive Directors	
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

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 200.

Audit Committee

The Audit Committee consists of three members, namely Mr. Heung Sang Addy FONG (Independent Non-executive Director), Mr. Chi Fung Leo CHAN (Independent Non-executive Director) and Ms. Jenny CHEN (Independent Non-executive Director). 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, 2023, 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 (Independent Non-executive Director), Mr. Yi LIU (Executive Director) and Mr. Heung Sang Addy FONG (Independent Non-executive Director). 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 notes 8 and 9 to the financial statements.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Yi LIU (Executive Director), Mr. Heung Sang Addy FONG (Independent Non-executive Director) and Mr. Chi Fung Leo CHAN (Independent Non-executive Director). 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 once 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 2023, the Group's workforce (including senior management) has 430 female, among which, around 3 hold the Group's senior management roles.

The Board had targeted to achieve and had achieved at least 25% of female Directors, 30% of female senior management and 40% 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. The Company is not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

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 CPD 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:

	Attendance/Number of Meetings					
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	General Meeting
Mr. Yi LIU	5/5		2/2	1/1	1/1	N/A
Mr. Lior Moshe DAYAN	5/5				1/1	N/A
Mr. Yifang WU	5/5				1/1	N/A
Ms. Rongli FENG	5/5				1/1	N/A
Mr. Heung Sang Addy FONG	5/5	2/2	2/2	1/1	1/1	N/A
Mr. Chi Fung Leo CHAN	5/5	2/2	2/2	1/1	1/1	N/A
Ms. Jenny CHEN	5/5	2/2			1/1	N/A
Mr. Kai Yu Kenneth LIU	5/5				1/1	N/A

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.

Principal Risks

The Company faces different principal risks and uncertainties set out below that may impose adverse impact to the Company's performance, operation and execution of its strategies. The Company is committed to mitigate and assess its risk management to ensure well risk management and governance.

Risk	Impact	Mitigations
Macroeconomic risk	Deterioration of economic conditions worldwide or part of the market resulting from economic cycles, political or social unrest, armed conflicts, government measures in response to outbreaks of contagious diseases, or other events or conditions that may adversely affect the business result, which in turn results in the decrease in the availability of funds and needs of our customers or material adverse effect on the net sales, profitability, cash flow and financial position of the Company.	The Company puts effort into expanding the direct operations offices infrastructure also to mitigate the risk of financial crisis in a specific region. In addition, the Company maintains a cost control mechanisms in order to be able to adjust the Company's expenses in case of macroeconomic events negatively impacting the top line performance.
Legal & Compliance Risk	The Company's business and operations may be affected by unexpected or uncertain application of a law or regulation which may incur penalties, operation costs.	The Company has engaged legal advisers in different jurisdiction for providing legal advisers and suggest any prompt actions on any regulatory updates.
Third Party Risk	Business operations of the Company may be impacted by any actions or failures from third parties in delivering services to the Company.	The Company established monitoring programme on the business agreements to enhance monitoring and control in alignment with international standards.
Risk of insufficient supply of raw materials	Raw materials and spare parts such as electronic components purchased from third-party may be affected by the supply from third parties, which may result in increasing costs, decreasing profit margins and insufficient supply of products	The Company has strategically purchased raw materials and spare parts such as major electronic components to cope with the risk of supply chain shortage and has achieved satisfactory results initially.
Exchange rate risk	The consolidated financial statements of the Company are prepared in U.S. dollars, with net sales of its operating subsidiaries denominated in its local currency and a substantial portion of the cost of sales (in the form of purchases of raw materials/inventories) of each subsidiary is incurred in U.S. dollars. Fluctuations in the exchange rate between U.S. dollar against the currencies in which revenue generated from the operating activities are denominated may adversely affect the net sales, gross margin, profitability and cash flows reported in U.S. dollars of the Company.	The Company regularly hedges its currency risk on product purchases that are settled in currencies other than the respective functional currencies of the subsidiaries by using forward foreign exchange contracts.

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 55 to 59.

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$460,000 and US$70,000, 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
	US$'000
Audit Services	460
Non-audit Services	70
– Tax Services	70
	530

COMPANY SECRETARY

Ms. Qianli FANG serves as the company secretary of the Company.

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

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. At the Annual General Meeting held on 28 June 2023, Shareholders approved the proposed amendments to the Articles of Association and the proposed adoption of the new Articles of Association in order to, among other things, (i) bring the Articles of Association in line with the relevant requirements of the Listing Rules and the applicable laws of Israel; and (ii) make some other housekeeping improvements. 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.

Arrangement of Electronic Dissemination of Corporate Communications

Pursuant to Rule 2.07 of Listing Rules under the expansion of paperless listing regime and electronic dissemination of corporate communications that came into effect on 31 December 2023, the Company has adopted electronic dissemination of corporate communications (the "**Corporate Communications**"), which mean any documents issued or to be issued by the Company including but not limited to (a) the directors' report, its annual accounts together with a copy of the auditors' report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular and (f) a proxy form.

Both the English and Chinese versions of all future Corporate Communications will be available electronically on the website of the Company at www.sisram-medical.com and the HKExnews website at www.hkexnews.hk in place of printed copies.

EXECUTIVE DIRECTORS

Mr. Yi LIU (劉毅), aged 48, was appointed as the chairman of the Board 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 2022.

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 54, 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 54, 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, chairman and chief executive officer of Fosun Pharma. 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).

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 vice plant 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.* (國藥控股股份有限公司) (a company listed on the Stock Exchange (Stock Code: 1099)) 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 47, was appointed as the non-executive Director on August 20, 2020. She is currently the Executive President, Chief Human Resources Officer (CHO) and General Manager of Human Resources Department of Fosun Pharma. From April 2020 to March 2021, she served as Vice President and General Manager of Human Resources Department of Fosun Pharma. From July 2018 to April 2020, she served as the deputy chief human resources officer of Fosun High Tech and the managing director of human resources of Shanghai Fosun Venture Capital Management Co., Ltd. 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 (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 (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 64, was appointed as an independent non-executive Director of the Company on August 30, 2017.

Mr. Fong has more than 25 years of audit, financial and capital market experiences. Mr. Fong has been appointed as an independent non-executive director of Borqs Technologies, Inc. (the shares of which are listed on NASDAQ (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 CYPCO 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.

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 45, was appointed as an independent non-executive Director of the Company on August 30, 2017.

Mr. Chan has been appointed as an independent non-executive director of Luyuan Group Holdings (Cayman) Limited (stock code: 2451.HK) since June 2023. 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 an independent non-executive director and chairman of audit committee of Jinke Smart Services Group Co., Ltd. (stock code: 9666. HK) from October 2020 to June 2023. He also served as the managing director of LY Capital Limited from May 2016 to October 2017, 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 44, was appointed as an independent non-executive Director of the Company 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 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 54, was appointed as an independent non-executive Director of the Company 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. Qianli FANG (方前厲), aged 30, 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, 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 60 to 145, which comprise the consolidated statement of financial position as at December 31, 2023, 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 material accounting policy information.

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, 2023, 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	**How our audit addressed the key audit matter**
Impairment of goodwill	
The carrying value of goodwill in the consolidated financial statements amounted to US$126,915,000 as at December 31, 2023. In accordance with IFRSs, the Company is required to perform 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 "Material 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.	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	How our audit addressed the key audit matter
Impairment of intangible assets	
The carrying value of intangible asset with indefinite-life and intangible asset not yet available for use in the consolidated financial statements amounted to US$24,493,000 and US$58,220,000, respectively, as at December 31, 2023. In accordance with IFRSs, the Group is required to perform impairment test for these assets at least on an annual basis. The impairment test is based on the recoverable amount of each individual asset. 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 and the intangible asset not yet available for use are included in note 2.4 "Material 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.	We obtained an understanding of the internal control over the process of the impairment test of indefinite-life intangible assets and the intangible asset not yet available for use, 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, discount rates, royalty rate, contributory asset charge and growth rate beyond budget period used in the valuation method based on cash flow forecast of each individual asset. We paid specific attention to the forecasts with respect to future revenues, operating results and development costs to be incurred to complete the development process by comparing the forecasts with the historical performance and the business development plan of each individual asset. We also assessed the relevant disclosures included in the financial statements.
Provision for impairment of trade receivables	
As at December 31, 2023, the net balance of trade receivables amounted to US$96,365,000, including provision for impairment of US$2,346,000. 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 "Material accounting policies", note 3 "Significant accounting judgements and estimates" and note 21 "Trade receivables" to the consolidated 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 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 HKSAs 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 HKSAs, 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.

- 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 20, 2024

	Notes	2023 US$'000	2022 US$'000
REVENUE	5	**359,292**	354,480
Cost of sales		**(139,767)**	(152,254)
Gross profit		**219,525**	202,226
Other income and gains	5	**1,970**	1,326
Selling and distribution expenses		**(125,345)**	(99,684)
Administrative expenses		**(34,092)**	(29,075)
Research and development expenses		**(18,029)**	(18,023)
Other expenses		**(4,033)**	(10,035)
Finance costs	7	**(2,445)**	(1,972)
Share of profits and losses of associates		**(421)**	(521)
PROFIT BEFORE TAX	6	**37,130**	44,242
Income tax expense	10	**(4,232)**	(4,162)
PROFIT FOR THE YEAR		**32,898**	40,080
Attributable to:			
Owners of the parent		**31,499**	40,170
Non-controlling interests		**1,399**	(90)
		32,898	40,080
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year (US cents)	12	**6.74**	8.62
Diluted			
– For profit for the year (US cents)	12	**6.73**	8.61

	Note	2023 US$'000	2022 US$'000
PROFIT FOR THE YEAR		**32,898**	40,080
OTHER COMPREHENSIVE INCOME			
Other comprehensive 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		**(749)**	(1,667)
Reclassification adjustments for gains included in the consolidated statement of profit or loss		**1,310**	1,171
		561	(496)
Exchange differences:			
Exchange differences on translation of foreign operations		**(316)**	(5,363)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**245**	(5,859)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Actuarial reserve relating to a defined benefit plan	30	**(287)**	538
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods		**(287)**	538
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(42)**	(5,321)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**32,856**	34,759
Attributable to:			
Owners of the parent		**31,457**	34,849
Non-controlling interests		**1,399**	(90)
		32,856	34,759

	Notes	December 31, 2023 US$'000	December 31, 2022 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**22,811**	16,847
Right-of-use assets	14 (a)	**40,098**	35,355
Goodwill	15	**126,915**	111,183
Other intangible assets	16	**136,069**	45,288
Deferred tax assets	18	**9,935**	7,246
Trade receivables	21	**12,909**	13,047
Investments in associates	17	**6,156**	6,176
Other non-current assets	19	**1,260**	69,894
Total non-current assets		**356,153**	305,036
CURRENT ASSETS			
Inventories	20	**80,550**	74,720
Trade receivables	21	**83,456**	80,378
Prepayments, other receivables and other assets	22	**22,131**	13,919
Derivative financial instruments	23	**611**	–
Cash and bank balances	24	**70,601**	81,548
Total current assets		**257,349**	250,565
CURRENT LIABILITIES			
Contract liabilities	25	**15,904**	14,375
Trade payables	26	**7,998**	13,335
Other payables and accruals	27	**50,287**	41,377
Interest-bearing bank and other borrowings	28	**4,421**	5,743
Lease liabilities	14 (b)	**4,717**	2,880
Derivative financial instruments	23	**–**	586
Tax payables		**4,923**	1,829
Total current liabilities		**88,250**	80,125
NET CURRENT ASSETS		**169,099**	170,440
TOTAL ASSETS LESS CURRENT LIABILITIES		**525,252**	475,476
NON-CURRENT LIABILITIES			
Contract liabilities	25	**849**	592
Lease liabilities	14 (b)	**35,544**	32,718
Deferred tax liabilities	18	**14,355**	8,646
Other long-term liabilities	29	**4,979**	1,295
Total non-current liabilities		**55,727**	43,251
NET ASSETS		**469,525**	432,225
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**1,334**	1,331
Reserves	33	**450,977**	429,541
Non-controlling interests		**17,214**	1,353
Total equity		**469,525**	432,225

	Attributable to owners of the parent								
	Share capital US$'000 (note 31)	Share premium* US$'000	Other reserve* US$'000 (note 33)	Cash flow hedge reserve* US$'000	Exchange fluctuation reserve* US$'000	Retained earnings* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At January 1, 2023	1,331	321,532	(22,388)	(303)	(4,928)	135,628	430,872	1,353	432,225
Profit for the year	–	–	–	–	–	31,499	31,499	1,399	32,898
Other comprehensive income for the year:									
Effective portion of changes in fair value of hedging instruments arising during the year, net of tax	–	–	–	(749)	–	–	(749)	–	(749)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	–	–	–	1,310	–	–	1,310	–	1,310
Exchange differences on translation of foreign operations	–	–	–	–	(316)	–	(316)	–	(316)
Actuarial reserve relating to a defined benefit plan, net of tax	–	–	–	–	–	(287)	(287)	–	(287)
Total comprehensive income for the year	–	–	–	561	(316)	31,212	31,457	1,399	32,856
Issue of shares (note 31)	3	1,539	(1,542)	–	–	–	–	–	–
Equity-settled share-based payments (note 32)	–	–	492	–	–	–	492	–	492
Business combination (note 34)	–	–	–	–	–	–	–	14,462	14,462
Final 2022 dividend declared	–	–	–	–	–	(10,510)	(10,510)	–	(10,510)
At December 31, 2023	1,334	323,071	(23,438)	258	(5,244)	156,330	452,311	17,214	469,525

* These reserve accounts comprise the consolidated reserves of US$450,977,000 (2022: US$429,541,000) in the consolidated statement of financial position.

	Attributable to owners of the parent								
	Share capital US$'000 (note 31)	Share premium* US$'000	Other reserve* US$'000 (note 33)	Cash flow hedge reserve* US$'000	Exchange fluctuation reserve* US$'000	Retained earnings* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity 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 32)	–	–	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

	Notes	2023 US$'000	2022 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**37,130**	44,242
Adjustments for:			
Finance costs	7	**2,445**	1,972
Interest income	5	**(603)**	(613)
Loss on disposal of property, plant and equipment		**(7)**	–
Loss on disposal of right-of-use assets		**(12)**	–
Fair value loss from foreign exchange forward contracts not qualifying as hedges	6	**2,114**	2,812
Fair value gain on revenue commitment	5	**(547)**	–
Depreciation of property, plant and equipment	6	**2,955**	2,335
Depreciation of right-of-use assets	6	**4,763**	3,817
Amortization of other intangible assets	6	**6,517**	6,250
Provision for impairment of trade receivables	6	**1,138**	560
Provision for impairment of inventories	6	**1,909**	6,621
Share of losses of associates	6	**421**	521
Equity-settled share-based payments	6	**492**	3,166
		58,715	71,683
Increase in inventories		**(4,083)**	(19,361)
Increase in trade receivables		**(3,791)**	(16,239)
Increase in prepayments, other receivables and other assets		**(7,914)**	(6,703)
Decrease/(Increase) in other non-current assets		**1,810**	(169)
(Decrease)/Increase in trade payables		**(5,472)**	832
Increase in other payables and accruals		**14,084**	497
Increase in contract liabilities		**1,776**	70
Decrease in other long-term liabilities		**(3,298)**	(166)
Cash generated from operations		**51,827**	30,444
Income tax paid		**(7,891)**	(8,405)
Net cash flows from operating activities		**43,936**	22,039
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**860**	648
Purchases of items of property, plant and equipment		**(8,568)**	(4,754)
Disposal of items of property, plant and equipment		**12**	40
Purchase of Intangible assets		**–**	(314)
Investment in associates		**–**	(5,415)
Business combination	34	**(32,224)**	–
Decrease/(Increase) in long-term bank deposits		**10,230**	(4,442)
Purchase of sublicense		**–**	(59,255)
(Increase)/Decrease in term deposits with original maturity of more than three months		**(3,305)**	21,379
Net cash flows used in investing activities		**(32,995)**	(52,113)

	Notes	2023 US$'000	2022 US$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loan and other borrowings		**4,435**	5,893
Repayment of bank loan and other borrowings		**(5,681)**	(6,973)
Lease payments	14(b)	**(5,967)**	(4,982)
Dividends paid to shareholders		**(10,510)**	(9,325)
Interest paid		**(493)**	(433)
Payment for the settlement of foreign currency forward contracts		**(2,750)**	(2,027)
Net cash flows used in financing activities		**(20,966)**	(17,847)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(10,025)**	(47,921)
Cash and cash equivalents at beginning of year		**74,793**	124,920
Effect of foreign exchange rate changes, net		**(4,233)**	(2,206)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**60,535**	74,793
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	24	**70,601**	81,548
Pledged bank balances for bank loans	24	**(140)**	(134)
Term deposits with original maturity of more than three months	24	**(9,926)**	(6,621)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**60,535**	74,793

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 Direct	Indirect	Principal activities
Alma Lasers Ltd. ("Alma")	Israel October 5, 1999	New Israeli Shekels ("NIS") 14,000,000	100%	–	Manufacture and sale of medical equipment
Alma Lasers Inc.	United States ("U.S.") August 1, 2005	US$10	–	100%	Distribution of medical equipment
Alma Lasers GmbH	Germany July 31, 2012	EUR25,000	–	100%	Distribution of medical equipment
Alma Lasers AT GmbH	Austria March 22, 2010	EUR35,000	–	100%	Distribution of medical equipment
Alma Medical Private Limited	India December 3, 2014	Indian Rupee ("INR") 7,500,000	–	100%	Distribution of medical equipment
Alma Medical HK Limited	Hong Kong S.A.R June 6, 2018	Hong Kong Dollar ("HK$") 100	–	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 ("PRC") April 10, 2020	RMB50,000,000	100%	–	Investment holding, pharmaceutical R&D
Shanghai Foshion Medical System Co., Ltd.**	People's Republic of China January 20, 2000	RMB30,000,000	–	100%	Distribution of medical equipment
Xingyuanda Medical Technology Huaian Co., Ltd.**	People's Republic of China December 17, 2020	RMB7,100,000	–	100%	Distribution of medical equipment
Sisram Medical HK Limited***	Hong Kong S.A.R 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

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries *(Continued)*

Particulars of the Company's subsidiaries are as follows: *(Continued)*

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 Direct	Indirect	Principal activities
Alma Lasers Middle East Trading L.L.C	United Arab Emirates February 1,2023	AED300,000	–	100%	Distribution of medical equipment
Alma Lasers Suisse GmbH	Swiss Confederation May 8, 2023	CHF20,000	–	100%	Distribution of medical equipment
Alma Hong Kong 2023 Ltd***	Hong Kong S.A.R March 7, 2023	HK$100	–	60%	Distribution of medical equipment
Alma Feidun Technology (Chengdu) Co., Ltd*	People's Republic of China May 22, 2023	US$10,000,000	–	100%	Distribution of medical equipment
Alma Lasers Japan K.K.	Japan June 19,2023	JPY100	–	100%	Distribution of medical equipment

* Sisram Medical (Tianjin) Ltd. and Alma Feidun Technology (Chengdu) Co., Ltd are registered as a wholly-foreign-owned enterprise under PRC law.

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

*** Sisram Medical HK Limited and Alma Hong Kong 2023 Ltd are a registered as limited liability enterprise under the Laws of Hong Kong.

2. ACCOUNTING POLICIES

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, 2023. 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 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities* arising from a Single Transaction
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to IAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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 recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 18 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the major entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted, the amendments did not have any significant impact to the Group. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

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. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

[1] Effective for annual periods beginning on or after January 1, 2024
[2] Effective for annual periods beginning on or after January 1, 2025
[3] No mandatory effective date yet determined but available for adoption

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

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 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. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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 January 1, 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., January 1, 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application 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 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL 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 has 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.

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 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.

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.

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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Business combinations and goodwill *(Continued)*

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 unit, or groups of cash-generating unit, 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 unit) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating unit) 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 unit) 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.

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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement *(Continued)*

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 non-financial asset is required (other than inventories, deferred tax 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 unit.

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 MATERIAL 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 MATERIAL 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 9.5 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. Trademark with definite useful live is stated at cost less any impairment losses and are amortized on the straight-line basis over the estimated useful lives of 10 years.

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 MATERIAL ACCOUNTING POLICIES (Continued)

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

License agreement

Purchased license agreement that is available for use are stated at cost less any impairment losses and is amortized on the straight-line basis over the estimated useful lives of 6 to 10 years. Purchased license agreement that is not available for use is stated at cost less any impairment losses and will be amortized when the related products are put into commercial sales.

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 capitalized 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. Product 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 MATERIAL 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 MATERIAL 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.

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

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, 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 MATERIAL 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 the equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

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 MATERIAL 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 MATERIAL 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 (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing 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 MATERIAL 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 MATERIAL 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.

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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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 initially recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

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 does not give rise to equal taxable and deductible temporary differences; 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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax *(Continued)*

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 utilized, 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 does not give rise to equal taxable and deductible temporary differences; 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.

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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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.

(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

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, 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. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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. 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 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 the management using a binomial model. The fair value of restricted shares under the share ownership plan is determined by the management using an asset-based approach, further details of which are given in note 32 to the financial statements.

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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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.

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 MATERIAL 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, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve 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 unit 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 unit 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, 2023 was US$126,915,000. 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 and intangible asset not yet available for use 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. 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.

Valuation of the identifiable assets and liabilities through business combinations and the recognized corresponding goodwill

The Group completed a business combination during the year. The purchase price are allocated between the fair values of the identifiable assets acquired and the liabilities assumed which result in the recognition of goodwill. Management, assisted by the external appraisers, evaluated the fair values of identifiable assets acquired and liabilities assumed and completed the purchase price allocation. The fair value determination in the accounting for business combination relied on significant management estimation in respect of fair value assessments.

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-energy-based devices and cosmeceuticals. Therefore, no analysis by operating segment is presented.

Geographical information

(a) Revenue from external customers

	2023 US$'000	2022 US$'000
North America	**156,891**	143,664
Asia Pacific	**109,685**	98,069
Europe	**50,181**	58,323
Middle East and Africa	**27,235**	36,582
Latin America	**15,300**	17,842
Total revenue	**359,292**	354,480

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

(b) Non-current assets

	2023 US$'000	2022 US$'000
Israel	**208,535**	221,417
China	**124,634**	70,048
United States	**6,919**	4,986
Other countries	**5,583**	1,339
Total non-current assets	**345,671**	297,790

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 (2022: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 US$'000	2022 US$'000
Revenue from contracts with customers	**359,292**	354,480

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended December 31, 2023

	2023 US$'000	2022 US$'000
Types of goods or services		
Sale of products	**336,089**	334,653
Services provided	**23,203**	19,827
Total revenue from contracts with customers	**359,292**	354,480
Timing of revenue recognition		
Goods transferred at a point in time	**336,089**	334,653
Services transferred over time	**23,203**	19,827
Total revenue from contracts with customers	**359,292**	354,480

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:

	2023 US$'000	2022 US$'000
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**5,953**	8,925
Services provided	**8,422**	6,113
Total	**14,375**	15,038

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:

	2023 **US$'000**	2022 US$'000
Amounts expected to be recognized as revenue:		
Within one year	**15,904**	14,375
After one year	**849**	592
Total	**16,753**	14,967

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

	2023 **US$'000**	2022 US$'000
Bank interest income	**603**	613
Fair value gain on revenue commitment	**547**	–
Others	**820**	713
Total other income and gains	**1,970**	1,326

6. PROFIT BEFORE TAX

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

	2023 US$'000	2022 US$'000
Amounts expected to be recognized as revenue:		
Cost of inventories sold	**103,947**	106,234
Cost of services provided	**35,820**	46,020
Total	**139,767**	152,254
Employee benefit expense (including directors' and senior management's remuneration (note 8)):		
Wages and salaries	**112,771**	92,831
Equity-settled share base payments	**492**	3,166
Defined benefit scheme	**675**	721
Total	**113,938**	96,718
Research and development costs:		
Current year expenditure	**18,029**	18,023
Auditors' remuneration	**530**	524
Lease payments not included in the measurement of lease liabilities	**1,258**	1,155
Depreciation of property, plant and equipment (note 13)	**2,955**	2,335
Depreciation of right-of-use assets (note 14 (a))	**4,763**	3,817
Amortization of other intangible assets (note 16)	**6,517**	6,250
Provision for impairment of inventories	**1,909**	6,621
Provision for impairment of trade receivables (note 21)	**1,138**	560
Fair value loss from foreign exchange forward contracts not qualifying as hedges	**2,114**	2,812
Fair value gain on revenue commitment	**(547)**	–
Share of profits and losses of associates	**421**	521
Foreign exchange differences, net	**795**	(31)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 US$'000	2022 US$'000
Interest on loans and borrowings	**218**	272
Interest on lease liabilities (note 14 (b))	**1,846**	1,463
Bank charges	**381**	237
Total	**2,445**	1,972

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	
	2023 US$'000	2022 US$'000
Fees	**128**	124
Other emoluments:		
Salaries, allowances and benefits in kind	**863**	851
Equity-settled share base payments	**136**	845
Performance related bonuses	**554**	745
Subtotal	**1,553**	2,441
Total fees and other emoluments	**1,681**	2,565

(a) Independent non-executive directors

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

	2023 US$'000	2022 US$'000
Mr. Heung Sang Addy FONG	**32**	31
Mr. Chi Fung Leo CHAN	**32**	31
Ms. Jenny CHEN	**32**	31
Mr. Kai Yu Kenneth LIU	**32**	31
Total	**128**	124

There were no other emoluments payable to the independent non-executive directors during the year (2022: 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
2023					
Executive directors:					
Mr. Yi LIU	**–**	**–**	**–**	**27**	**27**
Chief executive:					
Mr. Lior Moshe DAYAN	**–**	**863**	**554**	**109**	**1,526**
Total	**–**	**863**	**554**	**136**	**1,553**

The Group did not pay any remuneration to the non-executive directors of Mr. Yifang WU and Ms. Rongli FENG during the year ended December 31, 2023.

	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
2022					
Executive directors:					
Mr. Yi LIU	–	–	–	158	158
Mr. Guojun BU*	–	–	–	57	57
Subtotal	–	–	–	215	215
Chief executive:					
Mr. Lior Moshe DAYAN	–	851	745	630	2,226
Total	–	851	745	845	2,441

* 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.

The Group did not pay any remuneration to the non-executive directors of Mr. Yifang WU and Ms. Rongli FENG during the year ended December 31, 2022.

There was no arrangement under which a director or chief executive waived or agreed to waive any remuneration during the year (2022: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the reporting period included one director who is also the chief executive (2022: 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 (2022: four) highest paid employees who are neither directors nor the chief executive of the Company are as follows:

	2023 US$'000	2022 US$'000
Salaries, allowances and benefits in kind	**1,142**	1,166
Equity-settled share base payments	**–**	163
Performance related bonuses	**3,312**	4,412
Total	**4,454**	5,741

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	
	2023	2022
Nil to US$1,000,000	**1**	–
US$1,000,001 to US$1,500,000	**3**	3
US$1,500,001 to US$2,000,000	**–**	–
US$2,000,001 to US$2,500,000	**–**	1
US$3,000,001 to US$3,500,000	**–**	–
Total	**4**	4

10. INCOME TAX

Israel

The Israeli corporate tax rate applicable to the Company was 23% for the reporting period (2022: 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., ("**Alma**") 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.

10. INCOME TAX (Continued)

Israel *(Continued)*

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.

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, 2023, Alma enjoyed a preferential effective tax rate of 6%, for being a SPTE for the year ended December 31, 2023 (2022: 6%).

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 subsidiaries released their Clawback Profits and chose to pay reduced corporate income tax. The Company has released all their Clawback Profits in 2022. No additional tax provision was made for the year ended December 31, 2023 (US$0.9 million was made for the year ended December 31, 2022) in accordance with the Temporary Provisions.

In order to streamline the Alma's distribution system and maximize the existing synergy between the group companies, Alma and Nova Medical Israel ltd. ("**Nova**") carried out a structural change in order to concentrate and consolidate their business activities within a single legal entity that is Alma.

On February 26, 2022 Alma and 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. The merger for taxation purpose is effective as of January 1, 2022.

10. INCOME TAX (Continued)

U.S.

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 change includes, but is 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.

Germany

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 15.83% during the reporting period and was also subject to additional trade income taxes of 16.47% as applicable.

Austria

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.

India

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.

Hong Kong S.A.R.

The income of Alma Medical HK Limited, Sisram Medical HK Limited, and Alma Hong Kong 2023, subsidiaries incorporated in Hong Kong S.A.R., is taxed at the rate of 16.5% on its estimated assessable profits arising in Hong Kong S.A.R..

Chinese Mainland

The income of Sisram Medical (Tianjin) Ltd., Shanghai Foshion Medical System Co., Ltd., Xingyuanda Medical Technology Huaian Co., Ltd. and Alma Feidun Technology (Chengdu) Co., Ltd., subsidiaries established in PRC, are taxed at the rate of 25%.

10. INCOME TAX (Continued)

Other major oversea subsidiaries

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

The income of Alma Lasers UAE Ltd., a subsidiary incorporated in United Arab Emirates ("**UAE**"), is taxed at the rate of 0%.

The income of Alma Korea Limited, a subsidiary incorporated in South Korea, is taxed at the rate of 20.9%.

The income of Alma Lasers UK Ltd., a subsidiary incorporated in the United Kingdom of Great Britain and Northern Ireland ("**UK**"), is taxed at the rates of 19%-25% (changing according to the profit range).

	2023 US$'000	2022 US$'000
Current	**7,664**	7,473
Deferred (note 18)	**(3,432)**	(3,311)
Total tax charge for the year	**4,232**	4,162

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:

	2023 US$'000	2022 US$'000
Profit before tax	**37,130**	44,242
Statutory tax rate	**23%**	23%
Tax at the statutory tax rate	**8,540**	10,176
Different tax rates for certain entities	**(4,507)**	(7,737)
Effect on opening deferred tax from changes in tax rates	**(20)**	67
Tax losses utilized from previous periods	**(729)**	(545)
Expenses not deductible for tax	**472**	521
Taxes in respect of previous years*	**183**	940
Deductible temporary differences not recognised	**6**	5
Tax losses not recognized	**–**	85
Others	**287**	650
Total tax charge for the year	**4,232**	4,162

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

11. DIVIDEND

On March 20, 2024, the Board resolved to declare a final dividend of of HK$0.158 (inclusive of tax) per share for the year ended December 31, 2023 (for the year ended December 31, 2022: HK$0.173).

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 of 467,361,682 (2022: 466,245,938) 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:

	2023 **US$'000**	2022 US$'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**31,499**	40,170

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**467,361,682**	466,245,938
Effect of dilution – weighted average number of ordinary shares:		
– 2021 Restricted Share Units Scheme ("**2021 RSU Scheme**")	**981,410**	528,394
Total	**468,343,092**	466,774,332

On December 8, 2023, 1,050,483 (2022:1,137,009) ordinary shares have been issued to certain RSU holders upon the vesting of these RSUs. Please refer to note 32 for more details.

13. PROPERTY, PLANT AND EQUIPMENT

December 31, 2023

	Plant and machinery US$'000	Furniture and fixtures US$'000	Leasehold improvements US$'000	Total US$'000
At January 1, 2023:				
Cost	**15,466**	**2,171**	**9,896**	**27,533**
Accumulated depreciation	**(8,052)**	**(831)**	**(1,803)**	**(10,686)**
Net carrying amount	**7,414**	**1,340**	**8,093**	**16,847**
At January 1, 2023 net of accumulated depreciation	**7,414**	**1,340**	**8,093**	**16,847**
Additions	**1,618**	**1,165**	**6,141**	**8,924**
Disposal	**(5)**	**–**	**–**	**(5)**
Depreciation provided during the year	**(1,571)**	**(346)**	**(1,038)**	**(2,955)**
At December 31, 2023, net of accumulated depreciation	**7,456**	**2,159**	**13,196**	**22,811**
At December 31, 2023:				
Cost	**17,079**	**3,336**	**16,037**	**36,452**
Accumulated depreciation	**(9,623)**	**(1,177)**	**(2,841)**	**(13,641)**
Net carrying amount	**7,456**	**2,159**	**13,196**	**22,811**

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	(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	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	7,414	1,340	8,093	16,847
At December 31, 2022:				
Cost	15,466	2,171	9,896	27,533
Accumulated depreciation	(8,052)	(831)	(1,803)	(10,686)
Net carrying amount	7,414	1,340	8,093	16,847

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.

(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, 2022	29,781	1,111	30,892
Additions	7,696	772	8,468
Depreciation charge	(3,002)	(815)	(3,817)
Exchange realignment	(120)	(68)	(188)
As at December 31, 2022 and January 1, 2023	**34,355**	**1,000**	**35,355**
Additions	**8,677**	**1,264**	**9,941**
Depreciation charge	**(3,983)**	**(780)**	**(4,763)**
Termination of leases	**(514)**	**–**	**(514)**
Exchange realignment	**62**	**17**	**79**
As at December 31, 2023	**38,597**	**1,501**	**40,098**

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:

	2023 US$'000	2022 US$'000
Carrying amount at January 1	**35,598**	34,328
New leases	**9,941**	8,468
Accretion of interest recognized during the year (note 7)	**1,846**	1,463
Payments	**(5,967)**	(4,982)
Termination of leases	**(308)**	–
Exchange realignment	**(849)**	(3,679)
Carrying amount at December 31	**40,261**	35,598
Analysed into:		
Current portion	**4,717**	2,880
Non-current portion	**35,544**	32,718

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

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

	2023 US$'000	2022 US$'000
Interest on lease liabilities	**1,846**	1,463
Depreciation charge of right-of-use assets	**4,763**	3,817
Expense relating to short-term leases (included in cost of sales)	**666**	599
Expense relating to leases of low-value assets (included in administrative expenses)	**13**	11
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales and other expenses)	**579**	545
Total amount recognized in profit or loss	**7,867**	6,435

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 35(c) and 36(b) to the financial statements.

15. GOODWILL

	US$'000
Cost and net carrying amount at December 31, 2022	111,183
Business combination (note 34)	15,732
Cost and net carrying amount at December 31, 2023	126,915

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating unit for impairment testing:

- Cash-generating unit of Alma; and
- Cash-generating unit of Alma Hong Kong 2023 Limited ("Alma HK 2023").

Cash-generating unit of Alma

The Group's goodwill acquired through business combination amounted to US$111,183,000 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 goodwill of Alma has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16.5% (2022: 16.7%). The growth rate used to extrapolate the cash flows of the Alma cash-generating unit beyond the five-year period is 2.3% (2022: 2.3%), which is also an estimate of the long-term rate of raw materials price inflation.

Cash-generating unit of Alma HK 2023

The goodwill of Alma HK 2023 amounted to US$15,732,000 arose from business combination of a distributor in China as disclosed in note 34 to the consolidated financial statements. The cash flows generated from the business acquired for impairment testing is independent from those of the other subsidiaries of the Group, hence it is a separate cash generating unit.

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 19.0%. The long-term growth rate used to extrapolate the cash flows of the above cash-generating unit is 2.3%, which is also an estimate of the long-term rate of raw materials price inflation.

15. GOODWILL (Continued)

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 are consistent with the historical experience of the Group and the 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
December 31, 2023					
Cost at January 1, 2023, net of accumulated amortization	**15,633**	**24,493**	**4,822**	**340**	**45,288**
Additions*	**–**	**–**	**–**	**57,141**	**57,141**
Business combination (note 34)	**39,032**	**46**	**–**	**–**	**39,078**
Amortization provided during the year (note 6)	**(5,278)**	**(3)**	**(1,086)**	**(150)**	**(6,517)**
Exchange realignment	**–**	**–**	**–**	**1,079**	**1,079**
At December 31, 2023	**49,387**	**24,536**	**3,736**	**58,410**	**136,069**
At December 31, 2023:					
Cost	**82,899**	**24,539**	**24,544**	**61,623**	**193,605**
Accumulated amortization	**(33,512)**	**(3)**	**(20,808)**	**(3,213)**	**(57,536)**
Net carrying amount	**49,387**	**24,536**	**3,736**	**58,410**	**136,069**
December 31, 2022					
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

*: The addition during the year of 2023 is the purchased intangible asset arose from the medical license agreement and are still not yet available for use. Further details are included in note 37 to the consolidated financial statements.

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, 2023 (December 31, 2022: 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% (2022: 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% (2022: 2.3%), which is also an estimate of the long-term rate of inflation. The discount rate applied to the royalty income was 16.8% for 2023 (2022: 16.8%).

The fair value measurement hierarchy of the trademark was level 3.

Key assumptions used in the calculation

Assumptions were used in the 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 reflect specific risks relating to the trademark.

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.

Impairment testing of medical license agreement not yet available for use

The recoverable amount of medical license agreement not yet available for use has been determined based on the fair value less costs of disposal, and the fair value of the medical license agreement not yet available for use was determined using the multi-period excess earnings method taking into account the nature of the assets, using cash flow projections based on financial budget approved by the management, covering the economic life of corresponding products. The discount rate and the contributory asset charges used in impairment testing is 16.0% and 0.7%-1.1%, respectively.

The fair value measurement hierarchy of the medical license agreement not yet available for use was level 3.

Key assumptions used in the calculation

Discount rates – The discount rates used reflect specific risks relating to medical license agreement not yet available for use.

Contributory asset charges – The basis used to determine the value assigned to contributory asset charges is the return of revenue ("ROR") of the contributory assets, the ROR was determined according to the borrowing rate and cost of equity, and the contributory assets mainly included working capital, tangible assets and assembled workforce.

The values assigned to the key assumptions are consistent with the historical experience of the Group and the 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 and medical license agreement not yet available for use to be materially lower than its carrying amounts.

17. INVESTMENTS IN ASSOCIATES

	2023 **US$'000**	2022 US$'000
Share of net assets	**2,228**	2,248
Goodwill on acquisition	**3,928**	3,928
Total	**6,156**	6,176

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/Chinese Mainland	7	Development of biotechnology products
Fuzhou Rick Brown Pharma-ceutical Technology Co., Ltd	Ordinary shares	PRC/Chinese Mainland	23	Development of biotechnology products
Tianjin Silkar Biotech Co., Ltd*	Ordinary shares	PRC/Chinese Mainland	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$231,000 for the year of 2023 (2022: US$216,000). As at December 31, 2023, the accumulated unrecognized share of losses of this associate was US$731,000 (2022: US$702,000).

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023 **US$'000**	2022 US$'000
Share of the associates' loss and total comprehensive loss for the year	**(421)**	(521)
Aggregate carrying amount of the Group's investments in the associates	**6,156**	6,176

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	Equity-settled share-based payments US$'000	Contract liabilities US$'000	Lease Liabilities US$'000	Unrealized intercompany profit and others US$'000	Total US$'000
At December 31, 2021	345	1,073	956	–	–	98	–	3,757	6,229
Effect of adoption of amendments to IAS 12 (note 2.2(c))	–	–	–	–	–	–	2,465	–	2,465
Gross deferred tax assets at January 1, 2022 (restated)	345	1,073	956	–	–	98	2,465	3,757	8,694
Deferred tax credited/(charged) to the statement of profit or loss during the year	89	482	41	(23)	74	61	785	1,377	2,886
Gross deferred tax assets at December 31, 2022 (restated)	434	1,555	997	(23)	74	159	3,250	5,134	11,580
Deferred tax credited/(charged) to the statement of profit or loss during the year	34	1,825	40	23	204	3	297	62	2,488
Gross deferred tax assets at December 31, 2023	468	3,380	1,037	–	278	162	3,547	5,196	14,068

18. DEFERRED TAX (Continued)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary US$'000	Right of use assets US$'000	Others US$'000	Total US$'000
At December 31 2021	10,161	–	779	10,940
Effect of adoption of amendments to IAS 12 (note 2.2(c))	–	2,465	–	2,465
Gross deferred tax liabilities at January 1, 2022 (restated)	10,161	2,465	779	13,405
Deferred tax (credited)/charged to the statement of profit or loss during the year	(1,376)	785	166	(425)
Gross deferred tax liabilities at December 31, 2022 (restated)	8,785	3,250	945	12,980
Business combination (note 34)	6,452	–	–	6,452
Deferred tax (credited)/charged to the statement of profit or loss during the year	(1,175)	109	122	(944)
Gross deferred tax liabilities at December 31, 2023	14,062	3,359	1,067	18,488

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:

	2023 US$'000	2022 US$'000 (Restated)
Gross deferred tax assets	**14,068**	11,580
Offsetting with deferred tax liabilities	**(4,133)**	(4,334)
Net deferred tax assets recognized in the consolidated statement of financial position	**9,935**	7,246
Gross deferred tax liabilities	**18,488**	12,980
Offsetting with deferred tax assets	**(4,133)**	(4,334)
Net deferred tax liabilities recognized in the consolidated statement of financial position	**14,355**	8,646

19. OTHER NON-CURRENT ASSETS

	2023 US$'000	2022 US$'000
Long-term deposits	**713**	270
Revenue commitment	**547**	–
Long-term prepayments*	**–**	59,394
Long-term bank deposits	**–**	10,230
Total	**1,260**	69,894

*: Further details are included in note 37 to the consolidated financial statements.

20. INVENTORIES

	2023 US$'000	2022 US$'000
Raw materials	**31,550**	34,906
Work in progress	**3,843**	3,017
Finished goods	**55,496**	47,124
Provision	**(10,339)**	(10,327)
Total	**80,550**	74,720

At December 31, 2023, the Group did not have any inventories (2022: Nil) that have been pledged.

21. TRADE RECEIVABLES

	2023 US$'000	2022 US$'000
Trade receivables		
Current	**85,080**	81,856
Non-current	**13,631**	13,777
Subtotal	**98,711**	95,633
Impairment		
Current	**(1,624)**	(1,478)
Non-current	**(722)**	(730)
Subtotal	**(2,346)**	(2,208)
Net carrying amount		
Current	**83,456**	80,378
Non-current	**12,909**	13,047
Total	**96,365**	93,425

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.

21. TRADE RECEIVABLES (Continued)

Details of the concentration of credit risk arising from the customers are set out in note 40 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:

	2023 **US$'000**	2022 US$'000
Within one month	**51,522**	49,586
1 to 2 months	**3,738**	6,162
2 to 3 months	**5,158**	5,111
Over 3 months	**35,947**	32,566
Total	**96,365**	93,425

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

	2023 **US$'000**	2022 US$'000
At beginning of year	**2,208**	2,294
Impairment losses (note 6)	**1,138**	560
Amount written off as uncollectible	**(1,030)**	(546)
Effect of foreign exchange rate changes, net	**30**	(100)
At end of year	**2,346**	2,208

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. 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.

21. TRADE RECEIVABLES (Continued)

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, 2023

	Current	Past due Less than 1 month	Past due 1 to 3 months	Past due Over 3 months	Total
Expected credit loss rate	**0.9%**	**2.7%**	**2.0%**	**4.4%**	**2.4%**
Gross carrying amount (US$'000)	**52,007**	**3,841**	**5,266**	**37,597**	**98,711**
Expected credit losses (US$'000)	**485**	**103**	**107**	**1,651**	**2,346**

As at December 31, 2022

	Current	Past due Less than 1 month	Past due 1 to 3 months	Past due Over 3 months	Total
Expected credit loss rate	1.8%	1.4%	2.2%	4.4%	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

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 US$'000	2022 US$'000
Advances to suppliers	**6,344**	3,973
Deposits and other receivables*	**15,787**	9,946
At end of year	**22,131**	13,919

* As at December 31, 2023 deposits and other receivables include value-added tax to be deducted and certified of US$10,795,000 and prepaid expense of US$4,294,000.

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, 2023 and 2022, the loss allowance was assessed to be minimal.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 US$'000	2022 US$'000
Foreign exchange forward contracts	**611**	(586)

24. CASH AND BANK BALANCES

	2023 US$'000	2022 US$'000
Cash and cash equivalents as stated in the consolidated statement of cash flows	**60,535**	74,793
Pledged bank balances for bank loans	**140**	134
Term deposits with original maturity of more than three months	**9,926**	6,621
Cash and bank balances	**70,601**	81,548

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 RMB141,009,610 (2022: RMB41,418,941). The RMB is not freely convertible into other currencies, however, under Chinese Mainland'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, 2023 and 2022 are as follows:

	2023 US$'000	2022 US$'000
Short-term advances received from customers		
Sale of goods and related services	**7,452**	5,952
Warranty services	**8,452**	8,423
	15,904	14,375
Long-term advances received from customers		
Warranty services	**849**	592
Total	**16,753**	14,967

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:

	2023 US$'000	2022 US$'000
Within 1 month	**5,365**	8,524
1 to 2 months	**569**	3,642
2 to 3 months	**61**	93
Over 3 months	**2,003**	1,076
Total	**7,998**	13,335

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

27. OTHER PAYABLES AND ACCRUALS

	2023 US$'000	2022 US$'000
Payroll	**27,434**	25,308
Accrued expenses	**12,562**	13,146
Sales tax	**1,137**	1,101
Contingent consideration (note 34)	**1,741**	–
Others	**7,413**	1,822
Total	**50,287**	41,377

Other payables are non-interest-bearing.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023			2022		
	Effective interest rate (%)	**Maturity**	**US$'000**	Effective interest rate (%)	Maturity	US$'000
Current						
Bank and Other borrowings	**4.10-4.15**	**2024**	**4,421**	3.70-4.15	2023	5,743

The maturity of interest-bearing bank and other borrowings is within one year. Other borrowings are due from Group's related parties.

29. OTHER LONG-TERM LIABILITIES

	2023 US$'000	2022 US$'000
Employee benefit liabilities, net (note 30)	**1,219**	1,058
Contingent consideration (note 34)	**3,554**	–
Others	**206**	237
Total	**4,979**	1,295

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, 2023 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:

	2023	2022
Discount rate		
Employees	**5.64%-5.75%**	5.01%-5.17%
Officers	**5.64%-5.75%**	5.01%-5.17%

	2023	2022
Expected rate of salary increase		
Employees	**1.50%-5.00%**	1.50%-5.00%
Officers	**1.50%-5.00%**	1.50%-5.00%

The actuarial valuation showed that the market value of the Plan Assets was US$6,858,000 as at December 31, 2023 (December 31, 2022: US$6,853,000), and that the actuarial value of these assets represented 84.9% (December 31, 2022: 86.6%) 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

	2023 US$'000	2022 US$'000
Recorded liability	**6,877**	6,587
Discount rate changed to	**6.64%-6.75%**	6.01%-6.17%
Adjusted liability	**6,390**	6,098
Discount rate changed to	**4.64%-4.75%**	4.01%-4.17%
Adjusted liability	**7,447**	7,150
Expected rate of salary increase changed to	**2.50%-6.00%**	2.50%-6.00%
Adjusted liability	**7,135**	6,870
Expected rate of salary increase changed to	**0.50%-4.00%**	0.50%-4.00%
Adjusted liability	**6,728**	6,399

Officers

	2023 US$'000	2022 US$'000
Recorded liability	**1,200**	1,324
Discount rate changed to	**6.64%-6.75%**	6.01%-6.17%
Adjusted liability	**1,102**	1,232
Discount rate changed to	**4.64%-4.75%**	4.01%-4.17%
Adjusted liability	**1,311**	1,431
Expected rate of salary increase changed to	**2.50%-6.00%**	2.50%-6.00%
Adjusted liability	**1,303**	1,422
Expected rate of salary increase changed to	**0.50%-4.00%**	0.50%-4.00%
Adjusted liability	**1,116**	1,245

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:

	2023 US$'000	2022 US$'000
Current service cost	**630**	670
Net interest expense	**45**	51
Net benefit expenses	**675**	721
Recognized in cost of sales	**284**	325
Recognized in selling and distribution expenses	**131**	129
Recognized in administrative expenses	**108**	109
Recognized in research and development expenses	**152**	158
Net benefit expenses	**675**	721

The movements in the present value of the defined benefit obligations are as follows:

	2023 US$'000	2022 US$'000
At beginning of year	**7,911**	9,421
Current service cost	**630**	670
Net interest expense	**45**	51
Benefits paid	**(891)**	(477)
Return on plan assets	**334**	196
Loss/(gain) from actuarial changes in other comprehensive income	**278**	(829)
Effect of changes in foreign exchange rate	**(230)**	(1,121)
At end of year	**8,077**	7,911

The movements in the defined benefit obligations and the fair value of the Plan Assets are as follows:

For the year ended December 31, 2023

		Expenses recognized in profit or loss				Gain/(loss) from measurement in other comprehensive income						
	Balance at January 1, 2023 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$'000	Balance at December 31, 2023 US$'000
Defined benefit obligations	7,911	630	45	675	(891)	334	(210)	488	278	(230)	–	8,077
Fair value of plan assets	6,853	–	–	–	(712)	334	–	(9)	(9)	(202)	594	6,858
Net defined benefit liability	1,058	630	45	675	(179)	–	(210)	497	287	(28)	(594)	1,219

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, 2022

		Expenses recognized in profit or loss				Gain/(loss) from measurement in other comprehensive income						
	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$'000	Return on plan assets (excluding amounts included in net interest expenses) US$'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$'000	Balance at December 31, 2022 US$'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
Net defined benefit liability	1,723	670	51	721	(17)	–	(942)	404	(538)	(205)	(626)	1,058

Expected contributions to the defined benefit plan in future years are as follows:

	2023 US$'000	2022 US$'000
Within the next 12 months	**681**	634

A maturity analysis of the expected payments for terminated employees is as follows:

	2023 US$'000	2022 US$'000
Within the next 12 months	**958**	1,258
Between 1 and 2 years	**1,269**	1,058
Between 2 and 5 years	**1,948**	1,867
Between 5 and 10 years	**2,387**	2,212
Over 10 years	**7,453**	8,074
Total	**14,015**	14,469

31. SHARE CAPITAL

Shares

	2023 US$'000	2022 US$'000
Authorised:		
1,000,000,000 (2022: 1,000,000,000) ordinary shares of NIS0.01 each	**2,835**	2,835
Issued and fully paid:		
468,343,092 (2022: 467,292,609) ordinary shares of NIS0.01 each	**1,334**	1,331

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, 2022	466,155,600	1,328
Issue of new shares (Note 1)	1,137,009	3
At December 31, 2022 and January 1, 2023	467,292,609	1,331
Issue of new shares (Note 2)	1,050,483	3
At December 31, 2023	468,343,092	1,334

Note 1: On November 22, 2022, 1,137,009 ordinary shares had been issued to the 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 32).

Note 2: On December 8, 2023, 1,050,483 ordinary shares had been issued to the RSU holders upon the vesting of RSUs. The accumulated reserve of US$1,542,000 has been transferred out among which US$3,000 has been recorded as share capital, and the rest has been recorded as capital premium (note 32).

32. 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 4.7% 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, 2023 and December 31, 2023, 17,488,230 RSUs were available for grant under 2021 RSU Scheme, respectively.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these RSUs. The Group accounts for the RSU Scheme as an equity-settled plan.

The following RSUs were outstanding under the 2021 RSU Scheme during the year:

	2023		2022	
	Weighted average subscription price US$ per share	**Number of shares**	Weighted average subscription price US$ per share	Number of shares
At 1 January	**–**	**3,232,104**	–	4,619,550
Forfeited during the year	**–**	**(1,132,269)**	–	(250,437)
Exercised during the year	**–**	**(1,050,483)**	–	(1,137,009)
At 31 December	**–**	**1,049,352**	–	3,232,104

32. SHARE-BASED PAYMENTS (Continued)

The exercise prices and exercise dates of the RSUs outstanding as at the end of the reporting period are as follows:

2023

Number of shares	Exercise price US$ per share	Exercise dates
245,872	–	November 30, 2025
803,480	–	December 2, 2025

2022

Number of shares	Exercise price US$ per share	Exercise dates
245,872	–	November 30, 2023
245,872	–	November 30, 2024
245,872	–	November 30, 2025
831,496	–	December 2, 2023
831,496	–	December 2, 2024
831,496	–	December 2, 2025

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$492,000 for the year ended December 31, 2023 (2022: US$3,165,695).

At December 31, 2023, the 1,049,352 ordinary shares granted in the form of share units, which represented approximately 0.22% of the Company's shares in issue as at December 31, 2023, have not been registered as share capital of the Company yet and remained unvested.

33. 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

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$492,000 was credited to other reserve (2022: US$3,165,695) and the accumulated reserve of US$1,542,000 has been transferred out among which US$3,000 has been recorded as share capital, and the rest has been recorded as capital premium. Please refer to note 31 for more details.

34. BUSINESS COMBINATION

On March 30, 2023, a subsidiary of the Group, Alma HK 2023 entered into an asset purchase agreement with PhotonMed International Limited ("PhotonMed HK") and Ms. Zhou Mei, pursuant to which Alma HK 2023 has agreed to purchase the business (comprising the target assets). After the completion of the acquisition on June 28, 2023, Alma HK 2023 shall issue 40% of its shares to PhotonMed HK so that Alma and PhotonMed HK will hold 60% and 40% of the total issued shares of Alma HK 2023, respectively. The total consideration is an amount of up to RMB270,000,000, including contingent portion up to RMB37,500,000, which is subject to adjustment in relation to the target revenue and earnings. The acquisition was undertaken to consolidate its distribution operation and gain more market opportunities in China.

The fair values of the identifiable assets and liabilities of the acquisition as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition US$'000
Other intangible assets		39,078
Inventory		3,526
Deferred tax liabilities	18	(6,452)
Total identifiable net assets at fair value		36,152
Non-controlling interests		(14,462)
Goodwill on acquisition		15,732
		37,422
Fixed portion of consideration		
– satisfied by cash		32,224
Contingent consideration		5,198
		37,422

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	US$'000
Cash consideration	32,224
Cash and bank balances acquired	–
Net outflow of cash and cash equivalents included in cash flows from investing activities	32,224
Transaction costs of the acquisition included in cash flows from operating activities	264
Total net cash outflow	32,488

34. BUSINESS COMBINATION (Continued)

The Group incurred transaction costs of US$264,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

As part of the purchase agreement, contingent consideration is payable, which is dependent on the amount of target revenue and EBITDA for the periods July 1 through June 30 for the three years subsequent to the acquisition. The amount payable was recorded in other payables and accruals and other long-term liabilities as disclosed in note 27 and note 29, respectively. The fair values and fair value hierarchy of the contingent consideration as at the end of the year was disclosed in note 39.

Since the acquisition, the new business contributed to US$31.4 million to the Group's revenue and US$4.0 millions to the consolidated profit for the year ended December 31, 2023.

35. 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$9,941,000 and US$9,941,000, respectively, in respect of lease arrangements for plant and motor vehicles (2022: US$8,468,000 and US$8,468,000).

(b) Changes in liabilities arising from financing activities

2023

	Interest-bearing bank borrowings US$'000	Lease liabilities US$'000
At January 1, 2023	5,743	35,598
Changes from financing cash flows	(1,739)	(5,967)
Fair value gains from foreign exchange forward contracts not qualifying as hedges	–	–
Cashflow hedge reserve	–	–
Finance costs	599	1,846
New leases	–	9,941
Effect of foreign exchange rate changes, net	(182)	(849)
Termination of leases	–	(308)
At December 31, 2023	4,421	40,261

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities (Continued)

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

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 US$'000	2022 US$'000
Within operating activities	**1,258**	1,155
Within financing activities	**5,967**	4,982
Total	**7,225**	6,137

36. COMMITMENTS

(a) As at the end of reporting period, the Group did not have any significant contractual commitments.

(b) The Group had no lease contract that has not yet commenced as at December 31, 2023.

(c) On October 26, 2022, and December 15, 2022, respectively, Sisram Medical (Tianjin) Limited ("Sisram Tianjin"), a subsidiary of the Group, entered into a sublicense agreement and its amendments with Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Fosun Pharma Industrial"), a subsidiary of Fosun Pharma, pursuant to which Sisram Tianjin agreed to sublicense from Fosun Pharma Industrial the relevant know-hows and patents of Daxxify, so as to, among other things, import, use, sell or commercialize the Daxxify in Chinese Mainland, Hong Kong and Macau Special Administrative Regions ("S.A.R."). 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 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 is required to make upfront payment amounting to US$52.25 million, one-off regulatory milestone payment amounting to US$22.0 million, one-off sales milestone payments up to US$172.5 million and royalty payments to Fosun Pharma Industrial. In December 2022, upfront payment of US$52.25 million and one-off regulatory milestone payments of US$7.0 million has been paid to Fosun Pharma Industrial, as the licensed product obtained approval of BLA for the aesthetic indications from FDA. The remaining one-off regulatory milestone payments of US$15.0 million, will be paid upon the research and development of the licensed product obtaining approval of BLA for the aesthetic indications from National Medical Products Administration of the PRC ("NMPA"). These commitments are not recorded in the consolidated financial statements because the achievement and timing of these milestones are not fixed and determinable. When the achievement of these milestones or sales has been reached, the corresponding amounts are recognised in the consolidated financial statements.

37. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with its related parties during the year:

	Notes	2023 US$'000	2022 US$'000
Associate of Fosun Pharma			
Sales of goods			
Shanghai Linkedcare Information Technology Co., Ltd	(1)	**586**	1,119
Interest expense to related party			
Fosun Group Finance Corporation Limited ("Fosun Finance") *	(2)	**208**	111
Subsidiary of Fosun Pharma			
Sales of goods			
Qianda (Tianjin) International Trade Co., Ltd		**–**	131
Services received			
Chindex (Beijing) International Trade Co. Ltd.	(3)	**397**	–

* 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 Group offered Shanghai Linkedcare Information Technology Co., Ltd. with products at market prices.

(2) In 2023, Foshion borrowed several loans with total amount of US$4,421,000 from Fosun Finance, an associate of Fosun Pharma, with annual interest rate of 4.15% for the ones with maturity dates varied from February 6, 2024 to June 7, 2024, and with annual interest rate of 4.10% for the ones with maturity dates varied from July 6, 2024 to December 7, 2024. The terms of all loans were one year. In 2023, Foshion repaid US$5,176,000 they borrowed in previous year. The total interest expense of the loans provided by Fosun Finance was US$208,000 for 2023 (2022: US$111,000).

(3) In 2021, Alma signed contracts with Chindex (Beijing) International Trade Co. Ltd ("CML Beijing") in which CML Beijing will provide Alma with regulation services for registration in China. Alma paid US$397,000 to CML Beijing for 2023 (2022: Nil).

37. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

	Notes	2023 US$'000	2022 US$'000
Subsidiary of Fosun Pharma			
Amounts due from related parties			
Trade receivables			
Qianda (Tianjin) International Trade Co., Ltd		**88**	198
Other long-term assets			
Fosun Pharma Industrial	(1)	**–**	59,255
Associate of Fosun Pharma			
Amounts due to related parties			
Loans			
Fosun Finance	(a)(2)	**4,421**	5,014
Amounts due from related parties			
Deposits			
Fosun Finance*	(2)	**2,117**	5,251

Notes:

(1) Pursuant to a sublicense agreement, Sisram Tianjin has prepaid an amount of US$59,255,000 to Fosun Pharma Industrial in December 2022. The final approval of the sublicense agreement has been achieved by the extraordinary general meeting of the Company on February 9, 2023. As at December 31, 2023, the payment to Fosun Pharma Industrial has been classified into medical license agreement in other intangible assets. Further details of the sublicense agreement are included in note 36 to the financial statement.

(2) Included in the cash and bank balances, deposits of US$2,117,000 (2022: US$5,251,000) are deposited in an associate of Fosun Pharma. The applicable interest rates were determined in accordance with the prevailing market rates and the transactions were carried out in accordance with normal commercial terms.

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

	2023 US$'000	2022 US$'000
Salaries, allowances and benefits in kind	**1,453**	1,312
Performance related bonuses	**748**	1,065
Equity-settled share base payments	**185**	1,121
Total compensation paid to key management personnel	**2,386**	3,498

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

38. 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:

2023

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition US$'000	Held for trading US$'000	Financial assets at amortized cost US$'000	Total US$'000
Derivative financial instruments	–	611	–	611
Other non-current assets	547	–	713	1,260
Trade receivables	–	–	96,365	96,365
Financial assets included in prepayments, deposits and other receivables	–	–	698	698
Cash and bank balances	–	–	70,601	70,601
Total	547	611	168,377	169,535

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition US$'000	Held for trading US$'000	Financial liabilities at amortized cost US$'000	Total US$'000
Derivative financial instruments	–	–	–	–
Trade payables	–	–	7,998	7,998
Financial liabilities included in other payables and accruals	1,741	–	13,569	15,310
Financial liabilities included in other long term liabilities	3,554	–	206	3,760
Interest-bearing bank borrowings	–	–	4,421	4,421
Lease liabilities	–	–	40,261	40,261
Total	5,295	–	66,455	71,750

38. 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)*

2022

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition US$'000	Held for trading US$'000	Financial assets at amortized cost US$'000	Total US$'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
Total	–	–	188,947	188,947

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition US$'000	Held for trading US$'000	Financial liabilities at amortized cost US$'000	Total US$'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
Total	–	586	69,644	70,230

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at December 31, 2023 and 2022, 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 2023. 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.

Unobservable inputs for level 3 assets/liabilities

The fair values of revenue commitment included in other non-current assets of amounted to US$547,000 are determined based on discounted cash flows. Significant unobservable inputs for the level 3 assets are the revenue of the acquired associate and the discount rate.

The fair values of contingent consideration included in other payables and accruals and other long-term liabilities of US$5,295,000 are determined based on discounted cash flows. Significant unobservable inputs for the level 3 liabilities are the EBITDA and revenue of the acquired business and the discount rate.

39. 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, 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Derivative financial instruments	–	611	–	611
Financial assets included in other non-current assets	–	–	547	547
	–	611	547	1,158

Liabilities measured at fair value:

As at December 31, 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial liabilities included in other payables and accruals	–	–	1,741	1,741
Financial liabilities included in other long-term liabilities	–	–	3,554	3,554
	–	–	5,295	5,295

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy *(Continued)*

As at December 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Derivative financial instruments	–	586	–	586

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 (2022: Nil)

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.

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, 2023 and 2022.

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.

40. 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 EUR, CAD and CNY denominated financial instruments).

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax US$'000
For the year ended December 31, 2023		
If US$ strengthens against EUR	**5**	**(746)**
If US$ weakens against EUR	**(5)**	**746**
If US$ strengthens against CAD	**5**	**(159)**
If US$ weakens against CAD	**(5)**	**159**
If US$ strengthens against CNY	**5**	**(128)**
If US$ weakens against CNY	**(5)**	**128**
For the year ended December 31, 2022		
If US$ strengthens against HK$	5	(1,585)
If US$ weakens against HK$	(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

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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging *(Continued)*

As at December 31, 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Simplified approach US$'000	Total US$'000
Trade and receivables*	–	–	–	98,711	98,711
Other non-current assets					
– Not yet past due	713	–	–	–	713
Financial assets included in prepayments, other receivables and other assets					
– Normal**	698	–	–	–	698
Cash and cash equivalents					
– Not yet past due	70,601	–	–	–	70,601
Total	72,012	–	–	98,711	170,723

As at December 31, 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Simplified approach US$'000	Total 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
Total	102,133	–	–	95,633	197,766

* 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".

40. 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, 2023, 10.4% of the Group's trade receivables were due from the five largest customers (2022: 13.2%).

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, 2023, 100% of all the Group's borrowings would mature in less than one year (2022: 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, 2023

	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	**7,998**	**–**	**–**	**–**	**–**	**7,998**
Financial liabilities included in other payables and accruals	**13,569**	**–**	**1,741**	**–**	**–**	**15,310**
Financial liabilities included in other long-term liabilities	**206**	**–**	**–**	**3,554**	**–**	**3,760**
Interest-bearing bank borrowings	**–**	**693**	**3,826**	**–**	**–**	**4,519**
Lease liabilities	**–**	**1,571**	**4,243**	**20,374**	**28,719**	**54,907**
Total	**21,773**	**2,264**	**9,810**	**23,928**	**28,719**	**86,494**

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
Total	28,303	2,974	7,383	16,036	29,976	84,672

40. 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, 2023 and 2022, the Group's cash and cash equivalents exceeded the total debt. As such, no gearing ratio as at December 31, 2023 and 2022 was presented.

41. EVENT AFTER THE REPORTING PERIOD

There was no significant event that took place after the reporting period and up to the date of approval of the financial statements.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	December 31, 2023 US$'000	December 31, 2022 US$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**356,907**	355,618
Property, plant and equipment	**374**	284
Other long-term assets	**10**	467
Total non-current assets	**357,291**	356,369
CURRENT ASSETS		
Due from subsidiaries	**18,390**	18,357
Inventory	**368**	158
Trade receivables	**346**	591
Prepayments, other receivables and other assets	**340**	488
Cash and bank balances	**332**	7,747
Total current assets	**19,776**	27,341
CURRENT LIABILITIES		
Other payables and accruals	**712**	1,272
Trade payables	**238**	139
Tax payable	**147**	94
Total current liabilities	**1,097**	1,505
NET CURRENT ASSETS	**18,679**	25,836
TOTAL ASSETS LESS CURRENT LIABILITIES	**375,970**	382,205
NET ASSETS	**375,970**	382,205
EQUITY		
Share capital	**1,334**	1,331
Reserves*	**374,636**	380,874
Total equity	**375,970**	382,205

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
Balance at January 1, 2022	319,869	20,768	39,425	380,062
Total comprehensive income for the year	–	–	6,974	6,974
Issue of shares	1,663	(1,666)	–	(3)
Equity-settled share-based payments	–	3,166	–	3,166
Final 2021 dividend declared	–	–	(9,325)	(9,325)
At December 31, 2022 and January 1, 2023	**321,532**	**22,268**	**37,074**	**380,874**
Total comprehensive income for the year	**–**	**–**	**3,783**	**3,783**
Issue of shares	**1,539**	**(1,542)**	**–**	**(3)**
Equity-settled share-based payments	**–**	**492**	**–**	**492**
Final 2022 dividend declared	**–**	**–**	**(10,510)**	**(10,510)**
At December 31, 2023	**323,071**	**21,218**	**30,347**	**374,636**

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on March 20, 2024.

Table of Contents

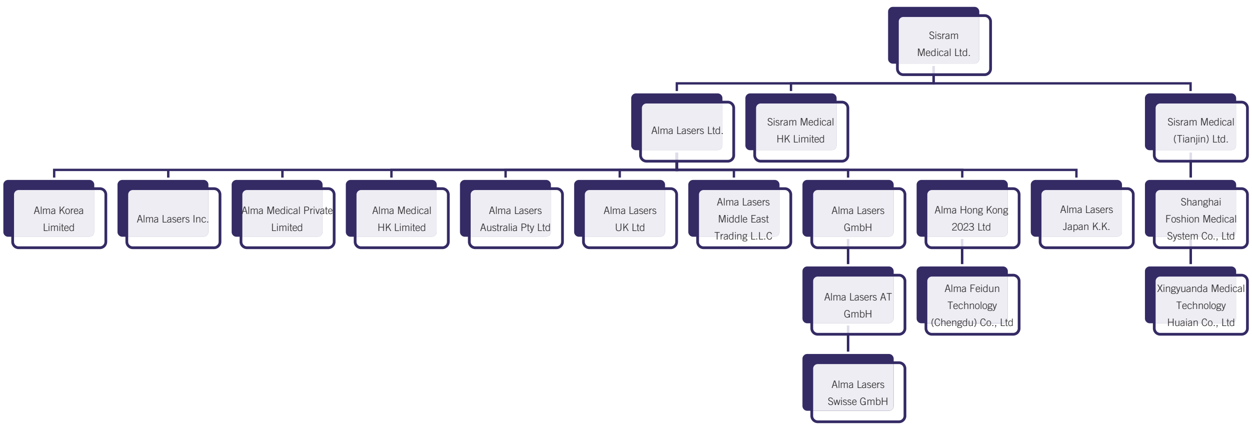
1. ABOUT THIS REPORT

This is the seventh Environmental, Social and Governance (ESG) Report of Sisram Medical Ltd, which discloses to stakeholders such as investors, the Company's principles on the issue of sustainable development in its operation, the management methods established, the work implemented and the effect achieved.

1.1 Reporting Boundary

Unless stated otherwise, 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 2023 Annual Report of the Group.

The following simplified corporate structure of the Group shows the subsidiaries and their location.



The abbreviations in the Report are explained as followed:

Company Name	Abbreviation
Sisram Medical Ltd.	Sisram Medical
Alma Lasers Ltd.	Alma Lasers or Alma Israel
Sisram Medical (Tianjin) Ltd.	Sisram Tianjin
Xingyuanda Medical Technology Huaian Co., Ltd	Xing Yuan Da or Xingyuanda
Shanghai Foshion Medical System Co., Ltd	Foshion
Alma Lasers Inc.	Alma Inc. or Alma US
Alma Lasers GmbH	Alma GmbH
Alma Lasers UK Ltd	Alma UK
Alma Korea Limited	Alma Korea
Alma Medical Private Limited	Alma India
Alma Hong Kong 2023 Ltd	Alma HK 2023

1. ABOUT THIS REPORT (Continued)

1.2 Reporting Period

The information disclosed in this report is from January 1 2023 to December 31 2023 (hereafter "reporting period"). Some statements and figures may be dated back to previous years.

1.3 Reporting Framework

The Group prepared this report in accordance with the Environmental, Social and Governance Reporting Guide (Dec 31 2023 onwards version) published by The Stock Exchange of Hong Kong Limited (HKEx).

This is the Group's seventh Environmental, Social and Governance (hereinafter referred to as "ESG") report, with the most recent ESG report being the 2022 ESG Report that was published in April 2023.

1.4 Report Languages

This Report is published in traditional Chinese and English respectively. In case of any inconsistency across versions, the English version shall prevail.

1.5 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 2-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

At Sisram Medical, we continue to make significant strides in progressing our ESG efforts, including publishing this ESG report in accordance with the HKEx reporting guide. Driven by our motivation and commitment, and in alignment with business strategy and core value: Enhance Quality of Life through our Business. Sisram Medical developed an ESG strategy, focusing on three main pillars: People, Planet and Practice. We strive 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)
Planet	Environment	• Strive to improve our operational efficiencies and reduce environmental footprint • Work to mitigate our products' life-cycle environmental impact	• Support domestic and international advocacy of environmental protection and climate change mitigation and encourage our business partners to do the same
People	Employees	• Promote workforce diversity, inclusion and engagement • Invest in our employees' career development • Achieve a zero-harm workplace and improve employee well-being	• Satisfy the Group's future demand for talent by continuing to invest in talent recruitment and development and provide competitive compensation and benefit packages
	Community	• Carry out community engagement initiatives focusing on health and social well-being	• Enable people from all corners of the world to enjoy accessible and affordable healthcare services
Practices	Products & Services	• Continue improving our product stewardship to the full satisfaction of domestic and global customers	• Provide the best-quality products to help people live younger and better
	Supply Chain	• Use supply-chain management system to effectively mitigate our environmental and social risks from our suppliers	• Conduct supplier audits on environmental and social performance such as carbon footprint, labor management, etc.
	Business Ethics	• Ensure that our employees conduct business with integrity and in compliance with relevant laws and regulations	• Foster a culture of integrity and the highest ethical behavior

The Group has set ESG-related targets regarding water efficiency, energy efficiency, non-hazardous waste reduction and greenhouse gas emission (GHG emission). 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

2025 Targets		Progress in 2023
Water Efficiency	Continue to take measures to keep water consumption at a relatively low level	In 2023, Alma Lasers has continued conserving water in office building via using recycled water and low-volume water equipment
Energy Efficiency	Reduce electricity consumption intensity to 7.88 kWh/US$1,000 of sales, which indicates a 20% reduction compared with 2020	In 2023, the total electricity intensity of Alma Lasers reached 4.73 kWh/USD$1,000 of sales, indicating a 51% reduction compared with 2020
Greenhouse Gas Emission	Reduce GHG emissions intensity to 9.19 CO2 global to CO2 eq/US$1,000 of sales, which indicates a 17% reduction compared with 2020	In 2023, GHG emissions intensity of Alma Lasers reached 5.13 kgCO2-eq/USD$1,000 of sales, indicating a 54 % reduction compared with 2020
Non-Hazardous Waste Reduction	Continue to reduce non-hazardous waste production through source reduction, reusing and recycling	In 2023, Alma Lasers continued to recycle and reuse non-hazardous waste such as paper to reduce non-hazardous waste to landfill

Note: In 2021, Sisram Medical set the ESG-related Targets covering the entities of Alma Lasers, as Sisram Tianjin, XingYuanDa and Foshion were newly established in 2021 and lacked adequate historical data for target setting. Also, Sisram Medical Ltd was mainly a holding company until year 2021. Sisram Medical will set ESG-related targets including Sisram Medical Ltd, Sisram Tianjin, XingYuanDa and Foshion in the future once we have sufficient data.

2. ESG GOVERNANCE OVERVIEW (Continued)

2.2 ESG Governance Structure

As we live our purpose at work every day, Sisram Medical commits to maximizing our impact by promoting and supporting business practices that are environmentally sustainable, socially conscious and aligned with sound corporate governance practices. This ethos is embedded in our Group culture and daily operations and extends across our entire organization. The Group has established a top-down ESG governance structure to ensure that our ESG strategy and commitments are embedded in the organisation and throughout the business. The board of directors has overall oversight and ultimate responsibility for the Group's ESG issues. ESG working group will consolidate yearly ESG performance and ESG target progress and report to the Board of Directors regularly to ensure good ESG practice.

Our ESG Governance Structure

2. ESG GOVERNANCE OVERVIEW (Continued)

2.2 ESG Governance Structure *(Continued)*

Our ESG Governance Structure *(Continued)*

Board of Directors	The board oversees the execution of the Group's ESG strategy. Specific duties shall include: a) Identify and monitor ESG risks and opportunities relevant to the Group's operation b) Discuss the ESG risk management and internal control matters with Management to ensure that Management has performed its duty to have effective systems c) Strategize ESG management with business growth d) Review and approve the Group's overall ESG strategy, prioritized ESG issues and ESG targets e) Oversee the Group's work progress on ESG targets at least on a yearly basis f) Review the Group's annual ESG reports, etc.
ESG Working Group	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: a) Set ESG goals and provide the strategic direction for the Group's ESG practices b) Conduct materiality analysis to prioritize ESG issues c) Prepare annual ESG reports to be reviewed by the board d) Identify and evaluate ESG risks relevant to the Group's operation on an annual basis, and regularly update the board on such risks as well as recommendations and follow-up measures e) Other duties delegated to it by the board

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 Issue Materiality 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, customers, employees, suppliers and distributors, communities, etc.

Key Stakeholders	Materiality Issue	Methods of Engagement
Shareholders	• Compliance	• Shareholder meetings • Information disclosure
Governments and Regulatory Bodies	• Compliance • Anti-Corruption • Use of Resource • Environmental Protection • Emission and Waste Management	• Information disclosure • Supervision and inspection, etc.
Customers	• Product Health and Safety • Technological Innovation • Satisfaction And Communication • Customer Information Security and Privacy Protection • Selling Practices & Product Labelling • Product Design and Lifecycle Management	• Annual satisfaction surveys • Email • Sales Representees
Employees	• Labor Practices • Occupational Health and Safety • Development and training • Inclusion and Diversity	• Trainings • Seminars • Email • Face-to-Face conversation
Suppliers & Distributors	• Anti-corruption • Supply Chain Management	• Supplier management policy • Annual supplier audit, etc.
Communities	• Community Investment	• Corporate charitable activities

2. ESG GOVERNANCE OVERVIEW (Continued)

2.4 Issue Materiality Assessment

Every year, the Group conducts materiality 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 Sisram Medical and stakeholders.

Issue Assessment Process

Preliminary Issue Screening

- In accordance with the Environmental, Society and Governance Reporting Guide of the Stock Exchange of Hong Kong (HKEX), Morgan Stanley Capital International (MSCI) ESG Materiality Map, Sustainability Accounting Standards Board (SASB) and the findings of peer analysis as well as stakeholder analysis, 17 issues have been identified

Issue Assessment

- Consulting with internal and external experts, Sisram Medical has assessed 17 issues to identify possible impacts, risks and opportunities, and evaluate their relevancy to business

Comprehensive Analysis

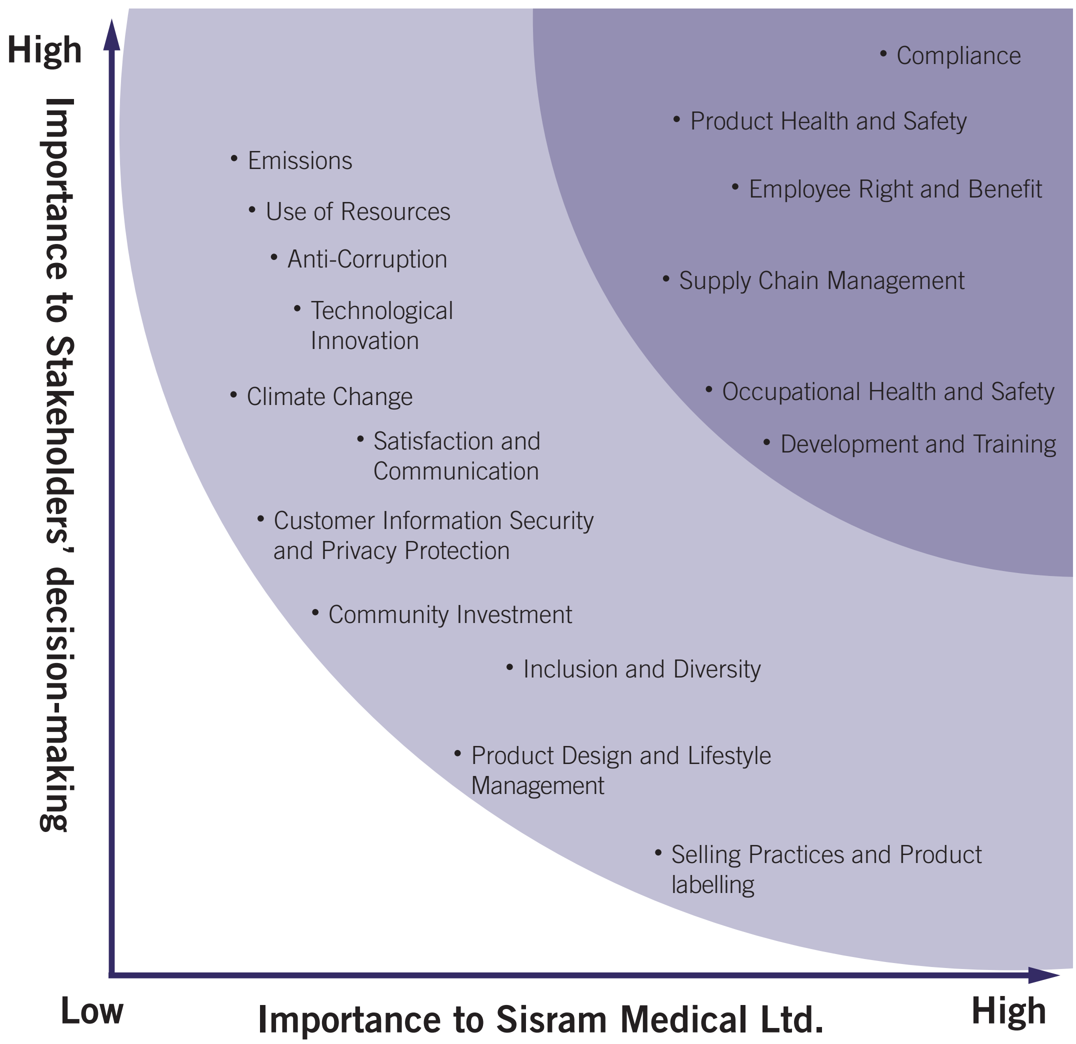
- Sisram Medical has ranked the issues based on the results of issue assessment. The Board of Directors then reviewed material issues for completeness and accuracy

2. ESG GOVERNANCE OVERVIEW (Continued)

2.4 Issue Materiality Assessment *(Continued)*

In 2023, The Group identified 17 material issues that are important to our stakeholders, including 6 highly important issues. The Group restated the issue "Health and Safety" to "Occupational Health and Safety" to increase clarity and distinguish it from "Product Health and Safety". In this report, we have addressed all ESG issues that are material to the Group.

Materiality Matrix



3. SAFEGUARDING THE ENVIRONMENT

At Sisram Medical, we are committed to embedding working safely and sustainably into everything we do and every decision we make. We are making measurable progress toward our environmental goals by practicing lean management and conducting sustainability projects to limit unnecessary power usage.

Safeguarding the Environment at a Glance	
Why is this important?	☐ As natural resources are depleted, sustainability becomes essential throughout the entire process of purchasing, developing, manufacturing, distributing, using, and disposing of products ☐ According to *The Sustainable Development Goals Report 2023: Special Edition* published by the United Nation, climate change is still having devastating and lasting impact on the society
The Group's Approach	☐ Set up targets and goals in water efficiency, energy use efficiency, non-hazardous reduction and GHG ☐ Assess climate-related risks and opportunities, and work to mitigate impact on the climate ☐ Integrate sustainability management into the entire product life-cycle ☐ Reduce operational environmental footprint via a wide variety of initiatives such as waste management, sustainable use of resources, etc.
Performance Highlights	**0** Violations or penalties of environmental protection laws and regulations*

Note:

* Data scope: Sisram Medical Ltd and all of its subsidiaries

3.1 Emission

Sisram Medical is a leading global provider of energy-based medical aesthetic treatment systems. Our practices and business activities are guided by a sense of purpose and commitment to safeguard the environment for the future generation. Lean Management is embedded in operations, constantly identifying and limiting the waste generation across operation and production.

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 massive generate air emission and wastewater from production.

3. SAFEGUARDING THE ENVIRONMENT (Continued)

3.1 Emission *(Continued)*

For Sisram Medical, dealing with materials sustainably means avoiding and reducing waste generation wherever possible, promoting reuse and recycling of waste and disposing of non-hazardous waste in legally compliable and environmentally compatible ways. Sisram Medical's emission management strategy follows the Procedures in Waste Management, advocating the 3Rs (Reduce, Recycle, and Reuse) principles and paperless office to minimize our non-hazardous waste generation.

3Rs Principles in implementation at Sisram Medical

Reduce

- Advocating paperless office via installing web-based office system to minimise office paper use
- Distribute e-copy of files as much as possible
- limiting waste to landfill where possible

Recycle

- Entrust qualified third party to recycle paper and paperboard

Reuse

- Set duplex printing as the default mode for most network printer
- Reuse paperboard for packaging and distribution

Sisram Medical has well-established waste management procedures to substantially reinforce our performance, consisting of monitoring, investigation, repair/rework, recycling, and reuse. We have established a material use baseline for monitoring and reducing waste generation.

Waste Management Procedures

Monitoring

- Monitor material usage data with reference of historical data
- Identify abnormal material usage data

Investigation

- Investigate the source of abnormal material usage

Repair/Rework

- Send faulted material (raw material or semi-finished goods) to rework, limiting waste to landfill

Recycle and Reuse

- Recycle material internally if applicable
- Reuse material for production if possible

Sisram Medical's operation is not manufacturing-intensive and has zero generations of hazardous waste. We comply with legal requirements to transport and dispose of waste.

3. SAFEGUARDING THE ENVIRONMENT (Continued)

3.1 Emission *(Continued)*

Emissions and Waste Generation in 2023

Types of Emission & Waste	Alma Lasers	Sisram Medical	Taken Measures
Air Emission	Vehicle Emission	Vehicle Emission	• Advocating green transportation
Non-Hazardous Waste	Plastic, Office Paper, Paper Board	Household Waste, Office Paper, Paper Board	• Set duplex printing as the default mode for most network printers and disseminate information by electronic means as far as possible. • Printed paper not in use is collected by an authorised recycling Group.

Note: Sisram Medical refers to Sisram Tianjin, Xingyuanda and Foshion.

In 2023, there were no investigations targeting the Group by any Environmental Protection Department for environmental violations; nor has it been subject to significant administrative or criminal penalties or urged by the relevant government departments.

3. SAFEGUARDING THE ENVIRONMENT (Continued)

3.2 Use of Resources

Energy

Based on the principle of reducing energy consumption, the Group has established an *Energy Policy* and actively adopted various energy-saving measures to continuously improve energy efficiency and, thus, reduce GHG emissions.

In 2023, the types energy consumption of Sisram Medical includes electricity usage in office and manufacturing activities and vehicle fuels (diesel, gasoline) usage in motor vehicles.

Sisram Medical's operation is mainly powered by electricity, and thereby, we set a target regarding electricity consumption. Subsidiaries' offices have installed energy-efficient LED lights to reduce total energy consumption collectively.

Resource Type	Targets	Policies	Taken Measures
Energy	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 the efficient use of energy, such as *Energy Policy*	• Use energy-efficient LED lights • Automatic control to turn off lights and air conditioners after working hour • Equipment renewal and renovation • Use green energy sourcing such as solar polar

Water and Packaging Materials

Part of being a globally responsible corporate citizen is conserving shared natural resources, including water. Sisram Medical uses water provided by utilities, primarily for sanitary services and kitchen, with no issue gaining access to or using it. Our manufacturing processes do not require significant amounts of water, and therefore, we mainly focus on conserving water in office buildings by 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
Water	Continue to take measures to keep water consumption at a relatively low level	• Fix dripping taps immediately • Determine water requirements for each facility and check usage frequently
Packaging Materials	Continue to reduce non-hazardous waste production through source reduction, reusing and recycling	• Packaging materials not in use are collected and recycled by authorized companies

3. SAFEGUARDING THE ENVIRONMENT (Continued)

3.3 Climate Change

Climate change is one of the biggest challenges of our time with the potential to adversely impact Sisram Medical's operation, supply chain, clients and communities. We are committed to reducing our GHG footprint (Scope 1 + Scope 2) with 17% GHG reduction by 2025. We are also driven to reduce further our scope 3 emission across the value chain to reduce our carbon footprint and limit our impacts on climate change.

We recognize that climate change is vital to our business operation. In 2023, we made amendments regarding out climate change management regarding the IFRS S2 Climate-related Disclosures by the International Sustainability Standards Board (ISSB) to sustain our achievements on climate change. The latest climate change management will enable us to strengthen our resilience to physical climate related risks and achieve low-carbon operation.

Our Climate Change Management

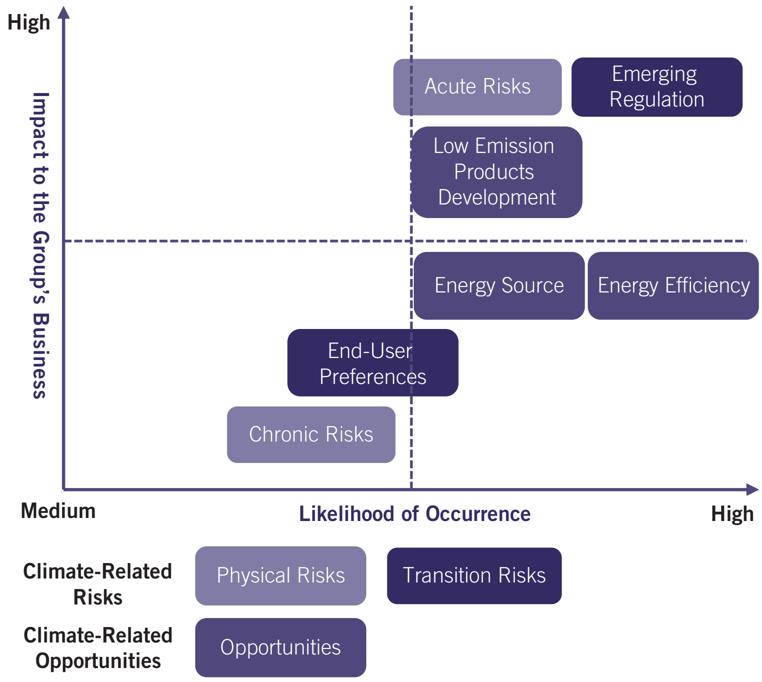
Governance	• The Board of Directors strategizes climate change management with business growth and oversees the Group's work progress on climate change regularly. • ESG working group implement the climate change strategy and report the results to Board of Director regularly.
Strategy	• Identify climate-related risks and opportunities • Increase energy efficiency of operation • Disclose GHG emission data to ensure accountability
Risk Management	• Seek solutions for identified climate-related risks and opportunities, e.g. increase supply chain resilience against delivery challenges due to extreme weather • Integrate climate-related factors in the product lifecycle management • Utilize 'Lean Management' strategy to increase energy efficiency and achieve low-carbon operation • Create energy efficiency improvement plans accordingly
Performance	• Set up climate-related target • Disclose GHG emission and GHG emission intensity in ESG Report every year to evaluate its performance and make improvement plans accordingly

With the anticipated threat of climate change, we continually identify and assess climate-related risks and opportunities against two major criteria: the potential impact on the Group's business operation and the likelihood of occurrence of such risks and opportunities and works to mitigate the impact of its operation on the climate accordingly.

3. SAFEGUARDING THE ENVIRONMENT (Continued)

3.3 Climate Change *(Continued)*

Climate Change Risk and Opportunity Identification and Assessment



3. SAFEGUARDING THE ENVIRONMENT (Continued)

3.3 Climate Change *(Continued)*

Impacts and Management Practices of Climate Change Risks and Opportunities

Types	Climate-Related Risks & Opportunities	Potential Financial Impacts	Management Practices
Transitional risks	**Emerging regulation** Governments across the globe are establishing eco-design regulations. Not meeting the highest standards will eventually result in decreased sales.	Decreased sales	• Integrate environmental factors into the product design process
	End-user preferences 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	**Acute physical risks** Increased severity and frequency of extreme weather events such as cyclones and floods could materially harm the Group's business.	Increased indirect (operating) costs	• Identify and assess external safety risk factors and work to mitigate them via a variety of health and safety measures
	Chronic physical risks Long-term changes such as sea level rises and excessive heat affect productivity and supply chain stability negatively due to climate change.	Increased indirect (operating) costs	
Opportunities	**Energy source** 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	• 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. • Design products that consume less energy
	Low emission products development 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	

On the other hand, buildings in Israel offered spaces for solar panel installation to increase green energy generation and usage, contributing to addressing climate change.

4. PUTTING PEOPLE FIRST

At Sisram Medical, we strive to attract the best talents, then inspire them to bring their best self to work. We are committed to creating a work environment built on trust, inclusion and diversity to give every employee the opportunity to grow and learn.

<table>
<tr><th colspan="3">Putting People First at a Glance</th></tr>
<tr><td>Why is this important?</td><td colspan="2">☐ Socially conscious employees want fulfilling careers with social, economic and environmental values.
☐ Healthy, prosperous, and dynamic human resource development brings positive momentum to the business, increasing the likelihood of success.</td></tr>
<tr><td>The Group's Approach</td><td colspan="2">☐ Recruit, retain, and develop the talent required to enable business success.
☐ Providing a diverse, inclusive, and caring workplace to ensure employees' health, safety and happiness.
☐ Building a cohesive team culture to promote employee engagement and satisfaction.
☐ Engage employees through giving and volunteerism to achieve meaningful outcomes and impacts on the community.</td></tr>
<tr><td>Performance Highlights</td><td>↑48%
New female hire</td><td>9.30%
open leadership positions filled with existing employees</td></tr>
</table>

Note:

* Data scope: Sisram Medical Ltd and all of its subsidiaries

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. 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.

At Sisram Medical, we value our employees, which is why we continue to invest in recruitment process optimization, total compensation package, engagement approach and employee well-being. 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.

4. PUTTING PEOPLE FIRST (Continued)

4.1 Employee Right and Benefit *(Continued)*

Employee Rights and Benefits Overview

Recruitment and dismissal	Recruitment and dismissal practices within the Group are conducted according to relevant local laws and articles stipulated into the employment contract, and in mutual agreement 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.
Compensation	The Group's employee compensation is structured in alignment with local regulations and minimal wage requirements.
Benefits	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.).
Working time	Employee working time varies in jurisdictions where the Group is operating, and employees are entitled to payments or compensatory hours for working overtime.
Holidays	The Group offers its employees paid vacations in accordance with local laws and regulations, such as parental leave, bereavement leave for immediate family, etc.
Promotion	The Group values employees and offers promotion opportunities. Each employee undergoes an annual talent review process where they meet with their managers for a performance review. The Group will make promotion decision based on performance review result.

Employee Engagement

At Sisram Medical, employee engagement begins on day one and is linked to everything we do. As a growing organization, we are proud to create a work environment where each employee feels connected and engaged in all aspects. To evaluate our efforts, we listen to the voices of employees and thereby conduct an anonymized semi-annual employee satisfaction survey regularly to encourage effective leadership and to increase employees' satisfaction in all aspects. Likewise, the department of Human Resources (HR) has implemented an *Open-Door Policy*, fostering direct dialogue among employees to solve issues at work. In 2023, we conducted a satisfaction survey in 11 countries with 4.19 score points (full score: 5)

4. PUTTING PEOPLE FIRST (Continued)

4.1 Employee Right and Benefit *(Continued)*

Supporting Work-life Balance

At Sisram Medical, we take a holistic approach across the entire employee experience to support work-life balance. This is why we heavily invest in the well-being of our employees. 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 retreat
- Open-day event for employees and their families
- Office holiday parties
- Hybrid working mode
- Stress and anxiety treatment

4.2 Inclusion and Diversity

At Sisram Medical, we respect the individuality of employees and are proud of our contributions to inclusion and diversity. Diversity is a priority at every level at Sisram Medical, including the Board, which reviews our progress and efforts annually. Additionally, we clearly state the principle of fair employment and equal pay in the *Employee Code of Conduct*. We have established an *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. The group continuously review internal policies to promote inclusion and diversity better.

Inclusion and Diversity Actions at Sisram Medical

Board	Employee
• The Board has embraced a board diversity policy, aiming to maintain an appropriate balance of diversity perspectives of the Board • The Nomination Committee reviews the structure, size and composition of the board annually and change accordingly to increase the diversity • The Board has considered setting measurable objectives to ensure the effectiveness of *Board Diversity Policy*	• Sisram Medical has acknowledged and honored multiple religious and cultural practices • Sisram Medical has fostered a culture where every voice is welcomed, heard and valued • Sisram Medical has encouraged multilingual and multigenerational workforce in 11 countries • Sisram Medical has reduced bias in the evolution process and promotion oppotunites via blind screening employment technique

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 pledged to advance our movements in building inclusion and diversity workplaces globally and thereby have overseen internal employment programs designed to ensure Sisram Medical attracts, retains, and develops diverse talents as well as gender parity 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 Medical'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

Protection
- Encourage employee to report misconduct regarding harassment and discrimination
- Investigate misconducted when such issue is filed
- Create correction plan according to applicable laws and Employee Code of Conduct

We review gender representation globally to ensure our accountability, monitor our progress, and evaluate the effectiveness of the measures we take. In 2023, we had 25% of the Board of Directors and 30.00% of the senior management held by females.

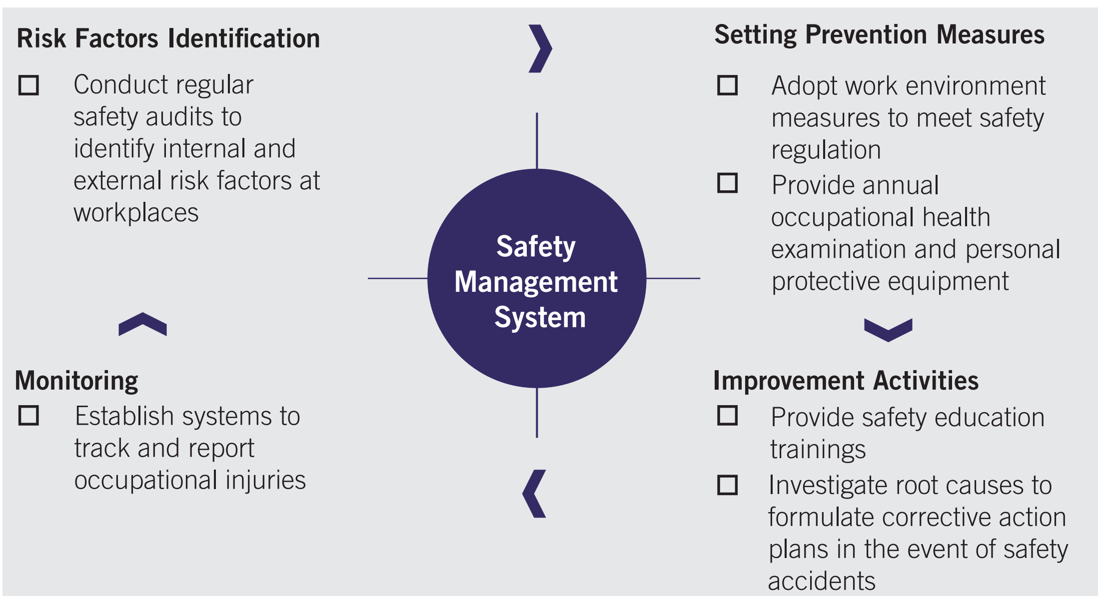
4. PUTTING PEOPLE FIRST (Continued)

4.3 Occupational Health and Safety

Sisram Medical promotes and provides a safe and healthy workplace. The health and safety of our employees are integral to our business activities. Sisram Medical has complied with all applicable laws and regulations where Sisram Medical has operated and established an *Employee Code of Conduct, Accident Reporting Policy, Workplace Violence Policy*, and *No-harassment Policy*. We have found an effective occupational health and safety mechanism to protect our employees. We regularly monitor and analyze our operations' potential health and safety risks and implement legally requested and voluntary procedures and training to safeguard our employees.

Alma Lasers has set up a Safety Committee comprising management and employee representatives and a third-party safety contractor. The committee is responsible for effectively formulating, executing, and monitoring the health and safety programs. Sisram Tianjin and Foshion established the Occupational Health Management System to oversee their health and safety-related issues and create a safe working environment.

Our Safety Management System



4. PUTTING PEOPLE FIRST (Continued)

4.3 Occupational Health and Safety *(Continued)*

Sisram Medical's operations have relatively low exposures to health and safety hazards. Employees who work with height, forklifts, and Lasers or come into contact with them are regularly trained in their safe handling. Additionally, we also provide our employees personal protective equipment to protect them.

Safety Training for Employees in 2023

Attendees	Trainings	Contents
Employers Work with Laser	Lasers-Safety and Laser Protection Training	Explanations about the Laser station, safety precautions, tool calibrations and correct use, general explanations about Lasers, dangers, and the damage it can cause to the eyes
All Employees	Safety Training	Organize seminars for internal policies and trainings on fire escape and evacuation, as well as how to properly operate fire extinguishers, etc.
Maintenance Employees	Job-specific Safety Training	Providing knowledge on how to minimize hazards from operation with a ladder and equipment etc.
Operation Employees	Forklift Instruction Work-at-Height Trainings	Providing instructions and guidelines regarding working with forklift and work at height

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 preventions measures to help maintain and enhance each employee's capacity for productive and fulling 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 refining programs.

Our Health and Wellbeing Management System

1 Health Promotion	☐ 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.
2 Work Environment	☐ Identify ergonomics risk factors in the work environment, and work to mitigate such risks by installing standing desks, etc. ☐ Strive to eliminate or remove odor, dust, and noise from worksites
3 Disease Prevention	☐ Monitoring epidemics: providing information on how to manage and minimize risks during epidemics ☐ Operation of in-house health clinic: inoculation (e.g., against influenza, etc.)

4. PUTTING PEOPLE FIRST (Continued)

4.4 Development & Training

Sisram Medical is a place where each employee can learn something new every day and share ideas, knowledge and expertise to build their career path, we invest in continuous learning and career opportunities, investment in learning capabilities and technology. Appointing internally while retaining and developing skilled talents has sustained Sisram Medical's competitive advantages.

Employee Attraction

Our leadership begins with attracting and retaining the best talents. We create attraction and retention programs. This accountability extends to all HR across the Group. We continuously identify talents through CoMeet, LinkedIn, internal referral to support the growth of Sisram Medical. Our attraction and retention program enables us to mitigate the risk of losing expertise while identifying and promoting promising talents for internal mobility and promotion. In 2023, we were able to fill 9.30% of our open leadership positions with existing employees.

Employee Training

We have established *Equal Employment Opportunity Policy, Performance Appraisals Policy*, an *Issue Resolution Policy*, and other talent-related policies to provide every employee with needed coaching, mentoring, and counseling to successfully fulfill their job responsibilities.

We create to leverage standard technologies, frameworks, and resources to enable our employees to perform at their best. We apply Group-wide training and development platforms: Alma's Employee Academy and Knowledge Boost for all employees, serving as a cross-business network and offering various programs to enhance employees' skills and competencies through onboarding training, comprehensive training, and position-related training.

Our Employee Training Programs

Onboarding Training	Position-Related Training	Leadership Program
Introducing new employees to the Group's policies, products and orientations	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	Enhancing skills of team building, management and leadership skills of managers

4. PUTTING PEOPLE FIRST (Continued)

4.4 Development & Training *(Continued)*

Employee Training Conducted in 2023 (Partial)

Training Program	Attendees	Training Activity	Contents
Onboarding Trainings	New employees	• Product Training • Group policies	Studying the Group's policies and product information
AI Effects on the Aesthetics Worlds	All employees	• Webinar	Studying the trends, developments and future of AI Applications in the industry
Position-Related Training	Operation employees	• Control of Inspection and Test Equipment Training	Studying inspection control, test inspection measuring procedure, and testing equipment work instruction
	R&D employees	• AI Embedded Lecture	Learning AI application and development in the industry
	Procurement employees	• DHL Professional Course	Learning management procedures to mitigate unexpected situations regarding international shipping, export, import, and customs
	IT employees	• Fortinet Network Security Training	Introducing security reinforcement measures to safeguarding the group cybersecurity
	Marketing employees	• Marketing Training	Studying marketing crisis management in the contemporary era
Leadership Program	Senior managers	• Management Development	Studying operational strategy, Inventory and logistics procurement management, project management, operational information systems to increase business management knowledge

Employee Development

Our talent management process provides a structured approach to guide regular and constructive conversations between employees and leaders. This approach encouraged employees to take ownership of their goals, performance and career. Our talent management process is consistent globally. We conduct annual organization and talent reviews annually to identify and develop top talents to lead us in the future.

4. PUTTING PEOPLE FIRST (Continued)

4.4 Development & Training *(Continued)*

Sisram Medical Talent Review Process

Sisram Medical Talent Review Process is an employee performance evaluation review implemented both in the Group's headquarters and subsidiaries. It aims to map the Group's talents according to their potential and performance rate.

Job Analysis

- Analyse roles and responsibilities

Objectives Setting

- Review and redefine annual organizational/ department/ individual objectives

Salary Adjustment

- Adjust salary and increase bonuses according to Key Performance Indicator (KPI) results

Employee Rewards

Attracting and retaining top talents is vital to accomplishing our mission of offering industry-leading services and products to our clients. Sisram Medical offers short-term and long-term incentive plans to ensure that our employee rewards are market-competitive.

Sisram Medical Incentive Plans

Light-house Program	• Offer special bonus to reward talents with KPI higher than benchmark
Recognition Plan	• Celebrate and reward exceptional work, significant achievements and career milestones of special talents
Retention Bonus Plan	• Offer bonus to special talents for retention
Share Distribution	• Offer share to special talents for their outstanding performance to lead the growth of Sisram Medical

4.5 Community Investment

In addition to supporting the industry with pioneering products, Sisram Medical also remains actively investing in the geographies where we live and work, contributing our time and resources where applicable for a better future. In 2023, we committed to facilitate community rebuilding.

5. COMMITTING TO RESPONSIBLE PRACTICES

At Sisram Medical, we are driven to offer innovative products available to consumers worldwide, continuously improving quality and innovation. We are committed to operating with the highest standards of responsibility and ethics underscores everything we do. We have an uncompromising promise to sustain trust with all our stakeholders through responsible practices in product health and safety, technological innovation, selling practices etc.

Committing to Responsible Practices at a Glance	
Why is this important?	☐ Good quality and service are the basis for increasing customer stickiness and gaining trust ☐ 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 ☐ Stakeholders value a dynamic and healthy supply chain and expect companies to manage its adverse effects
The Group's Approach	☐ Continuously improve product quality and service standards to bring a first-class experience for customers ☐ Promote the healthy development of supply chains that meet social and environmental standards and with the Group' values ☐ Continuously build a culture of integrity within the organization and develop robust business ethics and compliance programs
Performance Highlights	**0** Corruption-related enforcement actions **0** Total number of products recalled due to safety and health reasons **10** New patents

Note:

* Data scope: Sisram Medical Ltd and all of its subsidiaries

5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

5.1 Product Stewardship

Product Health and Safety

Sisram Medical is advancing responsible product management and addressing the interests of our stakeholders regarding product health and safety. This begins with regulatory affairs (RA), quality management and labelling.

Our 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 lifecycle, for instance, *the Medical Device Law, Technical Requirements on the Preparation of Medical Devices*. We have identified 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, we commit to maintain transparent, constructive, and professional communication with all applicable regulatory authorities on matters of policy, product submission and compliance. The Group assigns the department of RA which will carefully monitor changes in the relevant worldwide regulatory environment, consult with external expertise and regulatory firms constantly, and review industry standards and best practices, and ensure our products' legal compliance.

Regulatory Assurance Management Procedures

Change Monitor → Impact Identification → Impact Assessment → Policy Modification and Enhancement → Internal Training and Implementation

Our operation sites and major subsidiaries are certified according to the ISO 13485:2016 Medical Devices Quality Management Systems and fulfill the requirements for quality management systems in US, Canada and other countries. In 2023, Third-party audits has been conducted at ISO 13485:2016 certified facilities to maintain the quality of manufacturing, management, and products.

Product Quality and Safety Certifications in 2023

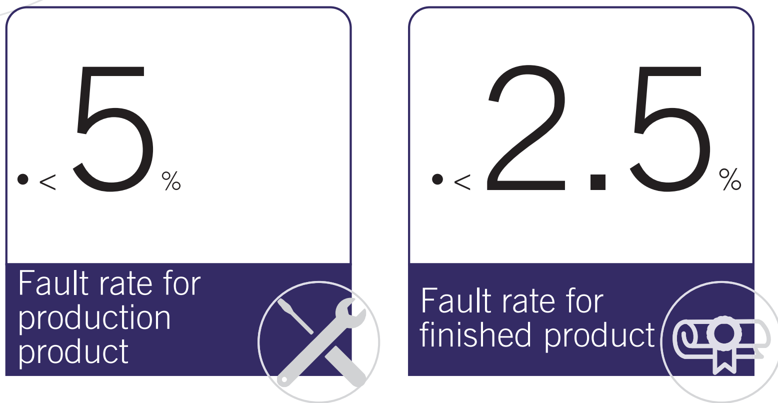
Certification	Alma Lasers	Alma Inc.	Alma GmbH
ISO13485:2016	✓	✓	✓
Medical Device Single Audit Program (MDSAP)	✓		
EC Certificate of Full Quality Assurance System			✓
EC Mark			✓
US/FDA	✓	✓	
Health Canada	✓		✓
Russia	✓		✓

To better regulate and monitor our quality management, Sisram Medical has set fault rate goal for baseline to ensure good production quality. In 2023, we have achieved anticipated goals for quality.

5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

5.1 Product Stewardship *(Continued)*

Product Health and Safety *(Continued)*



Fault Rate Goal in 2023

Our *Quality 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 their safety and effectiveness. 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 associated departments, ensuring that corrective measures and improvement actions are taken without delay to improve conformities and their causes. On the other hand, Sisram Medical has applied tools such as complaint handling, post-market surveillance, vigilance reporting, reliability, and trend analysis for quality management.

5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

5.1 Product Stewardship *(Continued)*

Product Health and Safety *(Continued)*

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
	Design Control	• Risk Management • Inputs/Outputs • Verification/Validation
	Corrective & Preventive Actions	• Eliminate Nonconformities • QMS Improvement • Verify Effectiveness
	Process and Production	• Customer Requirement • Supplier Quality • Identification/Traceability
	Management Control	• Management Review • Inspection Readiness • Internal Audit
	Change Management	• Design Change Management • Quality Management System (QMS) Change Management • Risk Review
	Production and Surveillance	• Complaint Handling • Risk Monitoring Vigilance

Simultaneously, the Group works to ensure Sisram Medical's products have complied with regulatory and statutory requirements through training programs. Some of the employees have been 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 education, training, and experiences.

On the other hand, Sisram Medical has explicitly describe the product information and application on product packaging and labelling. Additionally, Sisram Medical has organized and provided clinical operational training for customers to ensure the safety of operator and end-users.

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 a default product defect 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 QA employees will analyse the products' compliance and report to the CEO, who will sign the recall application and implement the recall action. The Corrective Action will follow the recall procedure to prevent a recurrence of the problem. After an incident, the Group will also report the situation to the regulatory authorities. For example, by the *European Union Medical Device Regulation* (EU MDR), we will report to the EU database and put it on record internally.

Recall & Field Safety Corrective Action Procedures (FSCA)

In 2023, Sisram Medical has successfully established product health and safety goals with 0% product recall rate, indicating outstanding product quality management. Sisram Medical has conducted quality training activities globally, for instance, EU MDR training. Global subsidiaries have also undertaken training in quality control management. Additionally, Sisram Medical's facilities have not been subject to 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 the 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. We invest in research and innovation and establish compensation plans for new Intellectual Protection (IP) development to motivate the creativity and innovation of the 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 our intellectual property ours and others, and therefore established *IP Management Procedures* 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 training for employees to implement IP strategy better. Salespeople are trained in "takedown" procedures to remove infringing content from third-party sites such as social media and e-commerce. The IP management briefs executives of significant developments in the IP areas bimonthly.

IP Management Procedure

Management responsibility

- The Group employs a manager of intellectual property, who carries out this policy, with assistance from an external counsel
- Regional sales managers coordinate between international distributors and the manager of intellectual property to protect intellectual property in their territories

Daily monitoring and Management

- Patent, trademark, and design registrations
- Promotion of IP rights awareness among R&D, clinical, regulatory, marketing, and sales personnel
- Trademark clearance searches, patent freedom to operate opinions, and patentability assessments
- Surveys of new trademark applications and patent applications in the Group's areas of business
- Marking of patent numbers on products
- Monitoring of patent litigation and patent examination appeals in USA

Remedial actions in the event of infringement

- Oppositions are filed against applications for trademarks that are identical or very similar to the Group trademarks
- Takedowns are requested of the third party web platforms, such as e-commerce and social media, to remove infringing content
- Outside counsel issue warning letters and invitations to mediation
- The Group is assessing litigation against manufacturers and sellers who infringe Group patents and trademarks

In 2023, Sisram Medical has applied 20 trademarks and 10 patents and 1 new design globally. Upon now, Sisram Medical has not infringed on others' intellectual property rights and has not been subject to relevant administrative penalties and court decisions.

5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

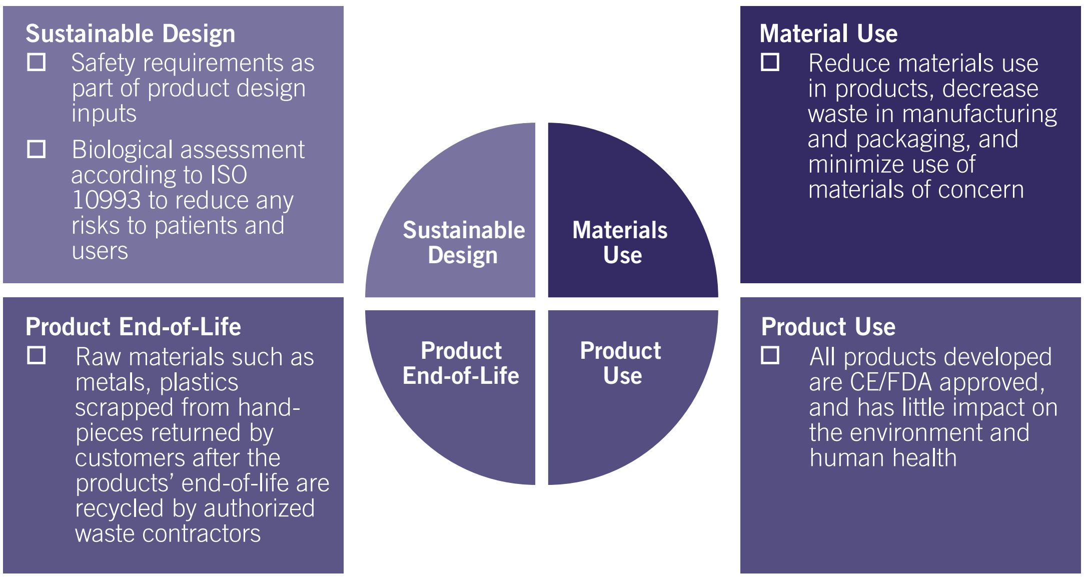
5.1 Product Stewardship *(Continued)*

Product Design and Lifecycle Management

At Sisram Medical, we are continuously improving product eco-friendliness and reducing adverse impacts through innovative and sustainable design. The Group minimizes its environmental impacts and provides our customers with more environmentally friendly products. We have developed a sustainability strategy covering 4 pillars: Sustainable Design, Material Use, Product Use and Product End of Life.

We assess the products in both environmental considerations and the environmental life-cycle aspects to reduce the environmental impacts of the products by reducing potential sources of harm, hazardous substances, and waste, and saving natural resources, raw materials, and energy. The assessment is performed according to IEC 60601-1-9 standard.

Sustainability Spanning the Entire Product Life-cycle



Sisram Medical has complied with the EU directive on Waste Electrical and Electronic Equipment (WEEE), indicating 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.

5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

5.1 Product Stewardship *(Continued)*

Selling Practices & Product Labelling

Good selling practices and product labelling are keys to our success in maintaining compliance as well as ensuring client health globally. A culture of compliance and active ownership is at the core of Sisram Medical's core values. We leverage our internal policies, management procedures and trainings for examination, tracking and monitoring, ensuring our high standards in selling practices and product labelling.

Selling Practices and Product Labelling Management System

Policy	• *Labelling and Operating Manual Work Instruction:* define the methods and information for marking and labelling finished products • *Marketing Brochures Material Approval:* safeguard the appropriateness of marketing materials and to ensure the compliance with applicable laws and regulations
Managing Departments	• QA: Act as a gatekeeper to ensure advertising, packaging, and promotional materials provide accurate, balanced, and non-misleading information and comply with laws and regulations • Marketing: Act as an executor for information distribution
Management Procedures	• Enact product labelling to inform users of the use and the purpose of product • Provide operating manual regarding operation instructions, warning and precautions • Enact product serialization, track and trace technology, including barcoding as mandated by existing local regulations in various regions and countries across the globe • Conduct internal audits yearly to monitor and identify possible issues and improve our standards with correction plans • Organize internal trainings for employees to improve their practices in selling practices and product labelling

In 2023, Sisram Medical organized internal training for 245 employees to reinforce their good practices in product selling and labelling. Additionally, Alma Lasers has conducted 2 internal audits in product labelling and contract review process and found 1 issue for future improvement in order to remove unnecessary steps and increase efficiency, a digitalization of this process will be conducted in the future.

Sisram Medical has not infringed on selling practices and has not been subject to relevant administrative penalties and court decisions in 2023.

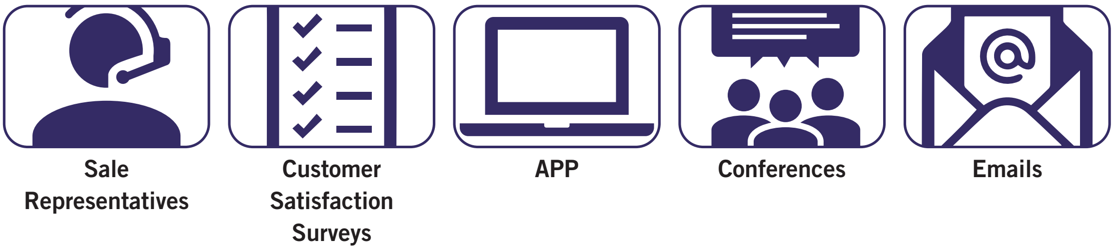
5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

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 an increasing fraction of business-to-consumer (end users of dental care products and home devices). Sisram Medical has established specific channels of engagement for the different needs of each group. Additionally, Sisram Medical has conducted customer satisfaction surveys to gain insights of consumer needs and improve the quality of our customer relationship management.

Communication Channels of Customers and Consumers



Good customer service is fundamental to how we do business at Sisram Medical, and we strive to integrate Customer Service Management tools to support our selling practices. In 2023, Sisram Medical created an APP and portal for end-users for product and service information and customer engagement globally. For instance, we have created a marketing automation system to facilitate customer services. Additionally, Sisram Medical established new post-sales team in global subsidiaries for post-sales customer interaction, clinical and marketing service improvement.

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 monitor each case of customer complaints in accordance with their importance from low to high.

5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

5.2 Cultivating Good Customer Relationship *(Continued)*

Satisfaction and Communication *(Continued)*

Customer Complaints Management Procedure

Receiving complaints

- A Customer Support Representative available to handle complaints via emails or customer calls
- Initial response issued no later than 2 working days from the day of complaint/service call reception

Preliminary assessment

- Customer Support Team handles and assesses each complaint on a case-by-case basis
- For complaints that do not require further investigation, the Group's Customer Support Team Manager will close the complaint

Technical analysis and Corrective Actions

- Complaints in need of technical analysis forwarded to designated personnel
- Corrective Action and Preventive Action (CAPA) initiated to determine and eliminate the root cause of product nonconformities
- Customer Support Team Manager reviews the complaints and service call records to ensure no recurring problems are detected

We have provided a broad range of marketing professional trainings to help our employees address customer concerns and foster a healthy relationship. We have established Alma Academy and organized e-learning seminars, road shows, face-to-face trainings to help health care professionals understand our products. In 2023, Alma Lasers organized 14 trainings for over 500 marketing talents at the Headquarter and subsidiaries to increase their customer services and selling skills.

In 2023, Sisram Medical has a newly established Global Service unit under the Department of Operations to proactively manage global customer support & customer experience. Global Service unit is leading the implementation of customer relationship management system (CRM) to have 360 degree customer overview.

5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

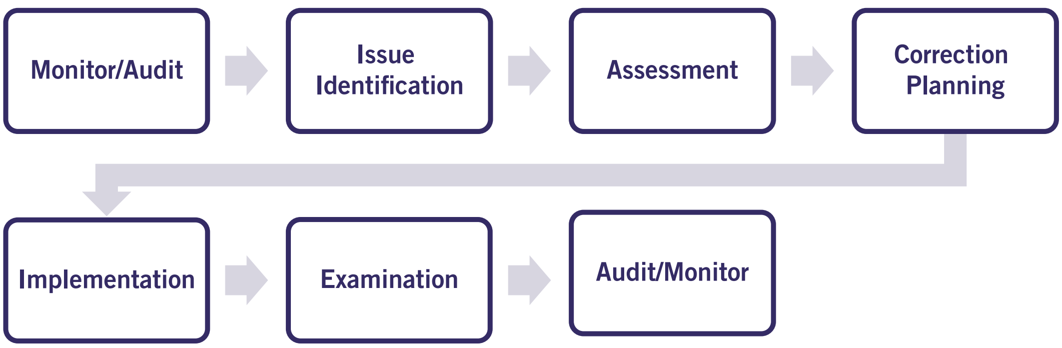
5.2 Cultivating Good Customer Relationship *(Continued)*

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 measures where 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 from being misused by third parties for fraud, such as identity theft. To manage our information and data security, the Chief Information Officer (CIO), IT manager, and cybersecurity manager work closely with our IT/IS suppliers to identify issues, mitigate risks, and enforce policies and compliance, where they conduct monthly meetings and audits to identify and assess data and information security issues. Later, we will draft correction plan accordingly for improvement. In 2023, we have implemented a unified IT system for headquarter and subsidiaries for seamless data management, including data gathering, data storage and data backup.

Information Security and Privacy Protection Management Procedures



In addition, we also utilise third-party tools and expertise of our IT/IS suppliers to audit and mitigate risk and manage our compliance obligation. We have conducted audits for data breaches and firewalls monthly to identify possible risks and monitor and examine correction plan implementation.

Our continuing efforts to ensure data security are underpinned by mandatory annual trainings. Employees receive regular training and communication regarding privacy and data protection, including annual information security training and regular communication and interactive exercises throughout the year. The Group has conducted 2 mandatory trainings regarding cybersecurity in 2023 to raise awareness on cybersecurity and Sisram Medical's policy on data security.

In 2023, we did not identify substantiated complaints concerning breaches of data security and privacy protection.

5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

5.3 Supply Chain Management

Sisram Medical is dedication to act responsibly in every aspect of our business including global supply chain. With the help of our suppliers, we are able to operate responsibly by ensuring quality, accountability and resilience across our value chain.

The Group established *Supplier Management Policy* and supplier evaluation systems to continuously improve procurement practices. Suppliers should present formal accreditation to ISO 13485 and/or ISO 9001 when entering 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.

Products and Services Purchased

Type	Definition
Category A	Turn-Key manufacturer, subcontractors, and sterile services.
Category B	Suppliers for components according to Group's specifications, calibration subcontractors and lab services.
Category C	Manufacturers of components to own specs, consultants and tools.
Category D	All the others

Management Approach

Establish Policies

- Purchasing Procedures
- Terms & Conditions of Supply
- Supplier Quality Standards
- Quality Agreement Signings

Assess Risks

- Supplier evaluation on quality capabilities
- Require suppliers to fill in a quality evaluation questionnaire

Monitor & Manage Performance

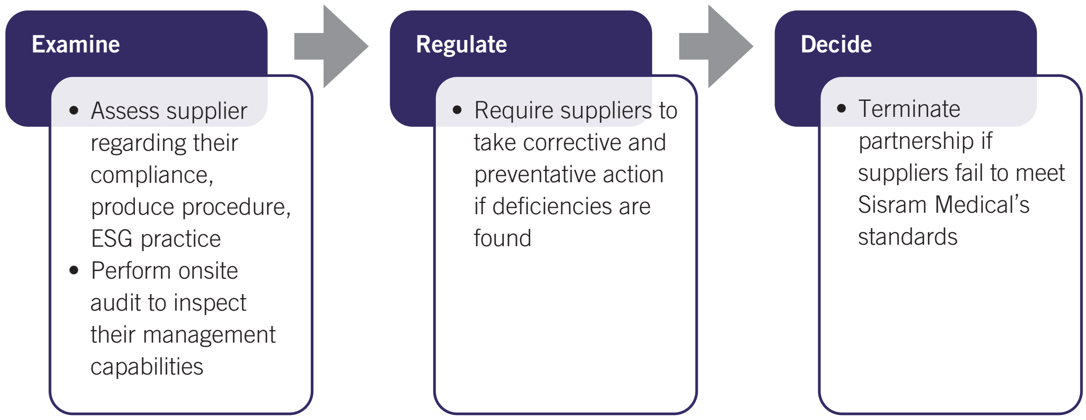
- Incoming inspection
- Functional test in productions
- Conduct supplier on-site audits
- Develop and confirm progress on corrective action plan

We actively participate in the supply chain management, assessing all suppliers regarding the topics of their compliances, product quality and production procedures. Sisram Medical has set baseline for supplier assessment and actively communicate with supplier regarding results and correction plan. If the supplier receive assessment under 2 (Full scale: 5), it will be in probation period until it has improved as required and passed additional evaluation.

5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

5.3 Supply Chain Management *(Continued)*

Supplier Assessment



Additionally, we constantly assess potential risks and identify opportunities to safeguard supply chain stability and resilience, which involves 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 Medical 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 Supply Chain Management *(Continued)*

Examples of Supplier Environmental and Social Requirements

Environmental Aspect	• Compliance with environmental laws and regulations • Environmental policies, practices, and expectations are communicated to all employees and suppliers in local appropriate language • Annual environmental performances review • Monitor and track energy consumption • Test air emissions regularly • Program and/or procedure on pollution and waste reduction
Social Aspect	• Young workers (above the legal minimum age, but under 18 requires protection restrictions) employed in accordance with law • Workers are free to resign from employment at any time (without penalty and with reasonable notice) • A written corporate responsibility policy or statement of commitment to define its approach to labor, health, and safety standards • A management representative assigned that is responsible for assuring compliance with labor, health and safety laws, regulations and codes

In 2023, we have conducted 58 supplier audits regarding ESG performance and requested them to fill the ESG questionnaire for assessment. 56 suppliers passed our assessment, and 2 suppliers were not qualified. Additionally, Sisram Medical encourages our suppliers on ESG compliance to take corrective or preventive actions.

5.4 Ethical Business Conduct

Anti-Corruption

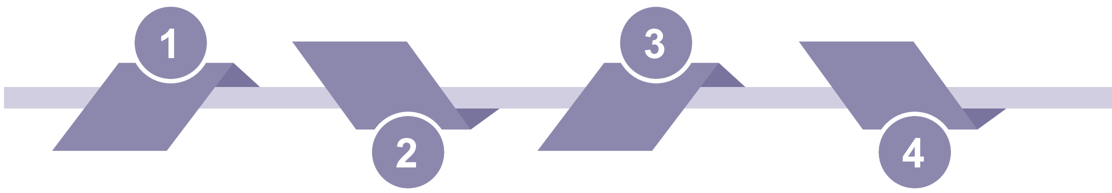
Sisram Medical is committed to promoting ethical business conduct among employees at all levels and dealing with our stakeholders, following all applicable laws and regulations where we operate. Our *Employee Code of Conduct* and *Vendor Gifts Policy* defines general principles for ethical behaviors and prohibits 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 *Whistle-blowing Management* and *No retaliation policy* that encourages employees to report any apparent or potential violations of laws, regulations and 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



Confirm the receiving of reports or complaints from employees regarding unlawful conduct

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 report of inappropriate conduct is confirmed through investigation, and feedback made to the Group's management

The Group management formulate and implement remedial actions to put a halt to any such conduct, as well as to prevent its recurrence

Employees are required to acknowledge our business ethics standards upon hire and to complete an onboarding training of their orientation and subsequently to participate business ethics trainings. Each employee is required to be trained on *Employee Code of Conduct*.

In 2023, Sisram Medical was not aware of any non-compliance or legal cases raised by violation of *the US Foreign Corrupt Practices Act, Anti-money Laundering Law of the PRC and the Anti-Unfair Competition Law of the PRC* and other laws and regulations relating to bribery, extortion, fraud and money laundering.

5. COMMITTING TO RESPONSIBLE PRACTICES (Continued)

5.4 Ethical Business Conduct *(Continued)*

Compliance

Our commitment to compliance embeds inside our corporate culture and operation, applicable to every employee, officer, and director at Sisram Medical. We respect and obey applicable local laws and regulations seen as Compliance in the ESG Databook. Internally, we have formulated relevant policies and standards to ensure our operations in accordance with local laws and regulations. The policies and standards provide actionable guidance and resources to all everyone to maintain a positive, ethical environment, including our Board and executive leadership.

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 the whistle-blowing protection policy.

In 2023, no fines or monetary sanctions for non-compliance were levied against Sisram Medical.

6. ESG DATABOOK

Compliance

Aspect	Main laws and regulations identified by jurisdictions
Environmental Protection	**Israel:** *Packaging Law (Packaging Management Law) 2011.* **PRC:** *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.* **U.S.:** *Environmental Protection Act, etc* **India:** *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.* **EU:** *German Environmental Protection Act (Bundes-Immissionsschutzgesetz), Austrian Environmental Protection Act, Umweltschutzgesetz (Environmental Protection Act), etc.* **Other jurisdictions:** *the Group adheres to relevant local laws in regulations.*
Employment	**Israel:** *The Israeli Severance Pay Law, The Employment of Women Law, The Sick Pay Law, The Annual Leave Law, Minimum Wage Law, Law for the Protection of employees in time of War (Amendment No. 5- "Haravot Barzel" War),2023, Law on increasing credit points for parents in income tax and increasing work grant,2023,etc.* **PRC:** *Labor Contract Law of the PRC, Labor Law of the PRC, etc.* **U.S.:** *Title VII of the Civil Rights Act of 1964, Age Discrimination in Employment Act, Fair Labor Standards Act, etc.* **India:** *Employees Compensation Act 1923, The Payment of Wages Act 1926, The Maternity Benefit Act 1970, Employees Provident Funds and Miscellaneous provision Act 1952, The Payment of Gratuity Act, 1972, etc.* **EU:** *Buergerliches Gesetzbuch (German Civil Code), Bundesurlaubsgesetz (National Vacation Law), Obligationenrecht (OR, Code of Obligations), Arbeitsgesetz (Labor law), etc.* **Other jurisdictions:** *the Group adheres to relevant local laws in regulations.*
Child Labor and Forced Labor	**Israel:** *Youth Labor Law 1953 and its Amendment No.21,2023* **U.S.:** *Fair Labor Standards Act, various relevant state laws.* **India:** *Child and Adolescent Labor (Prohibition and Regulation) Act 1986, Juvenile Justice (Care and Protection) of Children Act 2000.* **EU:** *Charter of Fundamental Rights of the European Union, Art. 32: Prohibition of Child Labor and Protection of Young People in the Workplace, Jugendarbeitsschutzgesetz (Youth Employment Protection Act).* **Other jurisdictions:** *the Group adheres to relevant local laws in regulations.*

6. ESG DATABOOK (Continued)

Compliance *(Continued)*

Aspect	Main laws and regulations identified by jurisdictions
Occupational Health and Safety	**Israel:** *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.* **PRC:** *Labor Law of the PRC, Law of the PRC on the Prevention and Control of Occupational Diseases, etc.* **U.S.:** *Occupational Safety and Health Act.* **India:** *The Factories Act, 1948, The Contract Labor (Regulation & Abolition), Mines Act 1952, Dock Workers Act 1986, Contract Labor Act 1970, Inter-State Migrant Workers Act 1979, etc.* **EU:** *Arbeitsschutzgesetz (Labor Protection Law), Unfallverhuetungsvorschift (Accident Prevention Regulation), Arbeitsgesetz (Labor law), etc.* **Other jurisdictions:** *the Group adheres to relevant local laws in regulations.*
Product Quality Assurance	**Israel:** *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.* **PRC:** *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.* **U.S.:** *501 (K) clearance, Radiation Control Provisions, etc.* **India:** *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.* **EU:** *CE Marking, the Medical Device Regulation (MDR) and Medizinprodukterecht-Durchführungsgesetz (MPDG), Medical Devices Implementation Act, Austrian Trade Law (Gewerberecht), Medizinprodukteverordnung (MepV, Medical Devices Ordinance), etc.* **Other jurisdictions:** *the Group adheres to relevant local laws in regulations.*
Intellectual Property	**Israel:** *The Patents Law 1967, The Trade Marks Ordinance 1972, The Copyright Law 2007, The Patents and Designs Ordinance 1924, etc.* **PRC:** *Patent Law of the PRC, The Trademark Law of the PRC, etc.* **U.S.:** *Copyright Act, Patent Act, etc.* **India:** *The Copyright Act 1957, The Patents Act 1970, The Designs Act 2000, etc.* **EU:** *German Copyright Law (Urheberrechtsesetz), European Patent Convention, European Union Trade Mark Regulation, Urheberrechtsgesetz (URG, Copyright Act).* **Other jurisdictions:** *the Group adheres to relevant local laws in regulations.*
Product Labelling	**PRC:** *Provisions on the Administration of Instructions and Labels of Medical Devices.* **U.S.:** *Federal Trade Commission Act, etc.* **India:** *Food Safety and Standards Act 2006, The Legal Metrology Act 2009, Legal Metrology (Packaged Commodities) Rules 2011.* **EU:** *EU MDD 93/42/EEC, Medical Device Regulation (MDR), Medizinprodukteverordnung (MepV, Medical Devices Ordinance), etc.* **Other jurisdictions:** *the Group adheres to relevant local laws in regulations.*

6. ESG DATABOOK (Continued)

Compliance *(Continued)*

Aspect	Main laws and regulations identified by jurisdictions
Product Advertising	**Israel:** *Consumer Protection Law 1981 and its amendment No.65,2023 and Amendment No.66,2023* **PRC:** *Advertising Law of the People's Republic of China.* **U.S.:** *Federal Trade Commission Act.* **India:** *Code for Self-Regulation in Advertising, Drugs and Magic Remedies (Objectionable Advertisements) Act 1954.* **EU:** *Gesetz gegen unlauteren Wettbewerb (Act against Unfair advertising Practices, Bundesgesetz gegen den unlauteren Wettbewerb (UWG, Federal law against unfair competition).* **Other jurisdictions:** *the Group adheres to relevant local laws in regulations.*
Customer Data Protection and Privacy	**Israel:** *Consumer Protection Law 1981 and its Amendment No.65, 2023 and Amendment No.66, 2023* **PRC:** *The Law of the PRC on the Protection of Rights and Interests of Consumers.* **U.S.:** *Fair Credit Reporting Act, etc.* **India:** *Information Technology Act 2000, Indian Penal Code 1860.* **EU:** *Bundes-Datenschutzgesetz (German Data Protection Act), European Data Protection Convention, Bundesgesetz über den Datenschutz (revDSG, Swiss Federal Act on Data Protection), etc.* **Other jurisdictions:** *the Group adheres to relevant local laws in regulations.*
Anti-Corruption	**U.S.:** *Foreign Corrupt Practices Act.* **India:** *Prevention of Corruption Act 1988, The Benami Transactions (Prohibition) Act 1988, Indian Penal Code 1860, The Prevention of Money Laundering Act 2002.* **EU:** *Bundes Anti Korruptionsgesetz (German Anti-Corruption Law), Anti Korruptions Verordnung (Anti-Corruption Act), United Nations Convention against Corruption.* **International conventions:** *UN Convention against Corruption (UNCAC), OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.* **Other jurisdictions:** *the Group adheres to relevant local laws in regulations.*

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.

6. ESG DATABOOK (Continued)

Environment[1]

	Indicator	Unit	2022 Alma Lasers	2022 Sisram Medical	2023 Alma Lasers	2023 Sisram Medical
Air Emissions[2]	NOx emissions	g	184,614.86	1,608.52	190,150.85	787.43
	SOx emissions	g	3,948.56	20.70	3,343.59	10.52
	PM emissions	g	13,592.79	73.59	14,000.40	57.98
GHG Emissions	GHG emissions (Scope 1)[3]	tCO_2-eq	632.03	3.20	532.32	1.56
	GHG emissions (Scope 2)[4]	tCO_2-eq	1,105.15	137.91	1,242.54	184.62
	Total GHG emissions (Scope 1 & Scope 2)	tCO2-eq	1,737.18	141.12	1,774.87	186.19
	GHG emissions intensity[5]	$kgCO_2$-eq/ US$1,000 of sales	4.90	8.00	5.13	14.34
Hazardous Waste	Total discharge of hazardous waste	Tons	–	–	–	–
	Hazardous waste intensity	g/US$1,000	–	–	–	–
Non-Hazardous Waste[6]	Total discharge of non-hazardous waste[6]	Tons	1.30	1.18	8.86	0.60
	Non-hazardous waste intensity	g/US$1,000	4.64	66.66	25.58	46.21
	Total office paper recycled	kg	309.00	–	330.00	–
Energy	Total purchased electricity consumption[7]	MWh	1,445.78	241.83	1,639.59	323.73
	Electricity consumption intensity[5,7]	kWh/US$1,000 of sales	4.08	13.66	4.73	24.93
	Total diesel fuel consumed by the Group's motor vehicles[8]	Liters	116,052.65	571.58	82,563.00	59.75
	Total gasoline consumed by the Group's motor vehicles	Liters	141,504.11	784.43	137,029.00	650.05
Water[9]	Total water consumption	Tons	2,925.00	512.00	3,670.70	938.05
	Water consumption intensity[5,9]	kg/US$1,000 of sales	8.30	28.90	10.60	72.25
Packaging Materials	Total packaging material used	Tons	398.92	14.26	259.53	10.72
	Packaging material consumption intensity[5]	kg/US$1,000 of sales	1.13	0.81	0.75	0.83
	Total amount of packaging materials recycled	Tons	35.03	–	29.12	–

6. ESG DATABOOK (Continued)

Environment[1] *(Continued)*

1. The reporting scope Alma Lasers included Alma Israel, Alma GmbH, Alma US, Alma India and Alma HK 2023. The reporting scope of Sisram Medical included Sisram Medical Ltd, Sisram Tiainjin, Xingyuanda and Foshion.

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 HKEx in May 2021.

3. The calculations of GHG (Scope 1) for Alma Lasers and Sisram Medical 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 (Scope2) for Alma Lasers and Sisram Medical 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 2022.

5. Due to decreases in revenue, the intensity data of Sisram Medical increased in 2023.

6. The increases in total non-hazardous waste of Alma Lasers are due to redefining the calculation scope in 2023.

7. Due to operation expansion, there were increases in the total purchased electricity consumption and electricity consumption intensity.

8. In 2023, Sisram Medical sold diesel-powered vehicles and thereby decreased diesel consumption.

9. Due to operation expansion, there were increases in the total water consumption and water intensity in Alma Lasers.

6. ESG DATABOOK (Continued)

Employee Right and Benefit[1]

Indicator		Unit	2022		2023	
			Alma Lasers	Sisram Medical	Alma Lasers	Sisram Medical
Total number of employees[2]		No. of ppl	740	111	969	111
Gender	Male	No. of ppl	460	75	586	64
	Female	No. of ppl	280	36	383	47
Age Group	<30y	No. of ppl	28	23	157	20
	30-50y	No. of ppl	549	68	678	84
	>50y	No. of ppl	163	20	134	7
Employment type	Full-time	No. of ppl	722	111	953	110
	Part-time	No. of ppl	18	–	16	1
Geographical region	Israel	No. of ppl	399	–	387	8
	U.S.	No. of ppl	205	–	227	–
	Germany, Austria & Switzerland	No. of ppl	55	–	48	–
	India	No. of ppl	49	–	51	–
	Australia	No. of ppl	19	–	20	–
	South Korea	No. of ppl	9	–	9	–
	China Mainland	No. of ppl	–	111	182	103
	Hong Kong	No. of ppl	4	–	7	–
	Japan	No. of ppl	/	/	10	–
	UK	No. of ppl	/	/	17	–
	UAE	No. of ppl	/	/	11	–
Total employee turnover rate[3]		%	15.00	46.00	14.86	53.15
Gender	Male	%	14.29	33.33	14.16	51.56
	Female	%	15.00	72.22	15.93	55.32
Age Group	<30y	%	12.26	34.78	22.93	75.00
	30-50y	%	16.52	52.94	14.16	47.62
	>50y	%	9.77	35.00	8.96	57.14
Geographical region	Israel	%	14.00	46.00	13.18	12.50
	U.S.	%	5.00	–	28.19	–
	Germany, Austria & Switzerland	%	1.00	–	27.08	–
	India	%	1.00	–	11.76	–
	Australia	%	–	–	45.00	–
	South Korea	%	–	–	–	–
	China Mainland	%	–	46.00	–	56.31
	Hong Kong	%	–	–	–	–
	Japan	%	/	/	–	–
	UK	%	/	/	5.88	–
	UAE	%	/	/	–	–

6. ESG DATABOOK (Continued)

Employee Right and Benefit[1] *(Continued)*

1. The reporting scope Alma Lasers included Alma Israel, Alma GmbH, Alma US, Alma India and Alma HK 2023. The reporting scope of Sisram Medical included Sisram Medical Ltd, Sisram Tianjin, Xingyuanda and Foshion.

2. Alma Lasers expanded operations and established new subsidiaries and thereby increases in the total number of employees in 2023.

3. In 2023, Sisram Medical redefined its constructure and thereby increases in employ turnover.

Occupational Health and Safety[1]

Indicator	Unit	2021		2022		2023	
		Alma Lasers	Sisram Medical	Alma Lasers	Sisram Medical	Alma Lasers	Sisram Medical
Number of work-related fatalities in past three years	No. of ppl	–	–	–	–	–	–
Lost days due to work-related injury[2]	No. of days	24.00	–	–	270.00	62.00	280.00

1. The reporting scope Alma Lasers included Alma Israel, Alma GmbH, Alma US, Alma India and Alma HK 2023. The reporting scope of Sisram Medical included Sisram Medical Ltd, Sisram Tianjin, Xingyuanda and Foshion.

2. In 2023, employees experienced accidents on their way to work or at work. Alma Lasers and Sisram Medical offered time-off for them to recover. Thereby increases in lost days.

Development and Training[1]

Indicator		Unit	2022		2023	
			Alma Lasers	Sisram Medical	Alma Lasers	Sisram Medical
Percentage of employees who received training		%	78.60	100.00	66.67	98.20
Gender	Male	%	78.45	100.00	63.65	98.44
	Female	%	79.85	100.00	71.28	97.87
Employee category	Senior	%	88.71	100.00	70.00	66.67
	Middle-level	%	80.00	100.00	40.00	100.00
	Supervisory-level	%	88.71	100.00	82.86	100.00
	General	%	80.00	100.00	69.28	98.78
Total number of training hours received by employees		hour	5,597.00	344.00	5,189.00	1,165.50
Gender	Male	hour	3,345.00	231.00	3,079.50	747.50
	Female	hour	2,052.00	113.00	2,109.50	418.00
Employee category	Senior	hour	1,094.00	18.00	929.00	21.50
	Middle-level	hour	656.00	146.00	140.50	204.00
	Supervisory-level	hour	658.00	74.00	396.00	4.50
	General	hour	3,189.00	106.00	3,723.50	935.50

1. The reporting scope Alma Lasers included Alma Israel, Alma GmbH, Alma US, Alma India and Alma HK 2023. The reporting scope of Sisram Medical included Sisram Medical Ltd, Sisram Tianjin, Xingyuanda and Foshion.

6. ESG DATABOOK (Continued)

Supply Chain[1]

Indicator		Unit	2022 Alma Lasers	2022 Sisram Medical	2023 Alma Lasers	2023 Sisram Medical
Total number of suppliers[2]		No.	565	182	431	50
Geographical region	MENA (Middle East & North Africa)	No.	284	2	253	2
	North America	No.	77	–	50	–
	Asia Pacific	No.	18	11	10	3
	Europe	No.	130	–	83	1
	China	No.	56	169	35	44
Number of suppliers received assessment on environment, labor and social compliance		No.	30	–	15	43
Number of suppliers passed assessment on environment, labor and social compliance		No.	23	–	13	43

1. In 2023, the Group redefined the number of suppliers as raw materials only. Additionally, the reporting scope of Alma Lasers included Alma Israel and the reporting scope of Sisram Medical included Sisram Medical Ltd, Foshion and Xingyuanda.

2. In 2023, Alma Lasers and Sisram Medical refreshed its supplier pool and resulted decrease in the number of suppliers.

Product Liability[1]

Indicator	Unit	2022 Alma Lasers	2022 Sisram Medical	2023 Alma Lasers	2023 Sisram Medical
Percentage of total products recalled due to safety and health reasons	%	–	–	–	–
Number of products and service-related complaints received	No.	8,486	1,086	11,591	522
Percentage of products & services related complaints handled by the company	%	100	100	100	100

1. The reporting scope Alma Lasers included Alma Israel, Alma GmbH, Alma US, Alma India and Alma HK 2023. The reporting scope of Sisram Medical included Sisram Tianjin, Xingyuanda and Foshion.

6. ESG DATABOOK (Continued)

Anti-Corruption[1]

Indicator	Unit	2022 Alma Lasers	2022 Sisram Medical	2023 Alma Lasers	2023 Sisram Medical
Percentage of the board of directors trained in anti-corruption[1]	%	–	–	–	–
Percentage of employees trained in anti-corruption	%	–	–	–	43.24
Average training hours about anti-corruption received by the board of directors	hour	–	–	–	–
Average training hours about anti-corruption received by all employees	hour	–	–	–	2.26
Number of concluded legal cases regarding corrupt practices brought against the group or its employees	No.	–	–	–	–

1. The reporting scope Alma Lasers included Alma Israel, Alma GmbH, Alma US, Alma India and Alma HK 2023. The reporting scope of Sisram Medical included Xingyuanda, Sisram Tianjin, and Foshion.

Community Investment[1]

Indicator		Unit	2022 Alma Lasers	2022 Sisram Medical	2023 Alma Lasers	2023 Sisram Medical
Corporate Charitable Donations Made		USD'000	15,000	–	2,089	–
Focus Area	Education	USD'000	–	–	–	–
	Environmental Concerns	USD'000	5,000	–	–	–
	Social Welfare[2]	USD'000	–	–	2,394	–
	Health	USD'000	1,140	–	–	–
	Culture & Sport	USD'000	–	–	–	–
	Other[3]	USD'000	46,000	–	1,325	–

1. The reporting scope Alma Lasers included Alma Israel, Alma GmbH, Alma US, Alma India and Alma HK 2023. The reporting scope of Sisram Medical included Sisram Tianjin, Xingyuanda and Foshion.

2. In 2023, Alma lasers purchased goods from an organization that employs special needs workers to promote social welfare.

3. In 2023, Alma Lasers donated money for community rebuilding.

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
A. Environment	
A1. Emissions	3.1 Emission 6 ESG Databook
A1.1	
A1.2	
A1.3	6 ESG Databook
A1.4	
A1.5	
A1.6	3.3 Climate Change
A2. Use of Resources	3.2 Use of Resources 6 ESG Databook
A2.1	
A2.2	6 ESG Databook
A2.3	
A2.4	3.2 Use of Resource 6 ESG Databook
A2.5	
A3. The Environment and Natural Resources	3.2 Use of Resources
A3.1	
A4. Climate Change	
A4.1	3.3 Climate Change

Subject Areas, Aspects, General Disclosures and KPIs	Relevant chapters in Report
B3. Development and Training	4.4 Development & Training
B3.1	6 ESG Databook
B3.2	
B4. Labor Standards	
B4.1	4.1 Employee Right and Benefit
B4.2	
Operation practices	
B5. Supply Chain Management	5.3 Responsible Supply Chain
B5.1	6 ESG Databook
B5.2	
B5.3	5.3 Responsible Supply Chain
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B6. Product Responsibility	5.1 Product Stewardship 5.2 Cultivating Good Customer Relationship 6 ESG Databook
B6.1	
B6.2	5.1 Product Stewardship 6 ESG Databook
B6.3	5.1 Product Stewardship
B6.4	
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Directors

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Company Secretary

Ms. Qianli Fang (方前厲)

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

Auditor and Reporting Accountants

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

Hong Kong Legal Adviser

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

Israeli Legal Adviser

Yigal Arnon & Co. Law Firm
5 Azrieli Center
Tel Aviv 6702501
Israel

Stock Short Name

SISRAM MED

Stock Code

01696

Company Website

www.sisram-medical.com

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

"2021 RSU Scheme"	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
"AGM" or "Annual General Meeting"	the annual general meeting of the Company
"Alma" or "Alma Lasers"	Alma Lasers Ltd., a company incorporated in Israel with limited liability, a wholly-owned subsidiary of the Company
"Amendment to Sublicense Agreement"	the amendment to sublicense agreement entered into between Sisram Tianjin and Fosun Pharma Industrial (中文: 復星醫藥產業) on December 15, 2022 to amend certain terms of the Sublicense Agreement
"Ample Up"	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
"Articles of Association"	the articles of association of the Company currently in force
"APAC"	Asia-Pacific
"AUD"	Australian Dollars, the lawful currency of Australia
"Board" or "Board of Directors"	the board of Directors of the Company
"BLA"	Biologics License Application
"CG Code"	the Corporate Governance Code
"CML"	Chindex Medical Limited (美中互利醫療有限公司), a wholly-owned subsidiary of Ample Up
"CML Beijing"	Chindex (Beijing) International Trade Co. Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of Fosun Pharma
"Company" or "Sisram"	Sisram Medical Ltd (復銳醫療科技有限公司*), a company incorporated in Israel with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules
"CPD"	continuous professional development
"Director(s)"	the director(s) of the Company
"FDA"	Food and Drug Administration of the United States
"FHL"	Fosun Holdings Limited (復星控股有限公司), a company incorporated in Hong Kong with limited liability, which is wholly owned by FIHL

"FIHL"	Fosun International Holdings Ltd. (復星國際控股有限公司), a company incorporated in the British Virgin Islands with limited liability
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司), a wholly-owned subsidiary of Fosun International
"Fosun Industrial"	Fosun Industrial Co., Limited (復星實業(香港)有限公司), a wholly-owned subsidiary of Fosun Pharma
"Fosun International"	Fosun International Limited (復星國際有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed and traded on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, respectively
"**Fosun Pharma Industrial**"	Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.* (上海復星醫藥產業發展有限公司), a company established in the PRC with limited liability and a subsidiary of Fosun Pharma and the sub-licensor of the Sublicense Agreement
"Fosun Pharma Group"	Fosun Pharma and its subsidiaries (excluding the Group)
"Group", "we", "us" or "our"	the Company and its subsidiaries
"Head Licensor"	Revance Therapeutics, Inc., a company listed on NASDAQ (ticker symbol: RVNC)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"HKSAs"	Hong Kong Standards on Auditing
"Hong Kong"	Hong Kong Special Administration Region of the PRC
"IASB"	the International Accounting Standards Board
"IFRSs"	International Financial Reporting Standards
"INR"	Indian Rupees, the lawful currency of India
"Independent Non-executive Director"	the independent non-executive director of the Company
"Licensed Product"	finished form of the injectable pharmaceutical drug product containing daxibotulinumtoxinA, also referred to by Head Licensor as RT002
"Listing Date"	September 19, 2017

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Listing”, “Global Offering” or “IPO”	the initial public offering of the Company’s shares
“M&A”	mergers & acquisitions
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers
“NIS”	New Israeli Shekels, the lawful currency of Israel
“Non-Compete Deed”	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
“Participants”	individuals who participate in the 2021 RSU Scheme, as defined in the rules of the 2021 RSU Scheme
“PRC”	the People’s Republic of China, which for purpose of this annual report only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“R&D”	research and development
“Regulatory Milestone Payments”	the regulatory milestone payments payable by Sisram Tianjin directly to the Head Licensor under the Sublicense Agreement
“Reporting Period”	the year ended December 31, 2023
“Royalty Payments”	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
“RSU”	a restricted share unit, being a contingent right to receive Shares which is awarded under the 2021 RSU Scheme
“Sales Milestone Payments”	the sales milestone payments payable by Sisram Tianjin directly to the Head Licensor under the Sublicense Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	the share(s) in the capital of the Company
“Sisram Tianjin”	Sisram Medical (Tianjin) Limited * (復鋭醫療科技(天津)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

"Sublicense"	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
"Sublicense Agreement"	the sublicense agreement between Fosun Pharma Industrial and Sisram Tianjin dated October 26, 2022 with respect to the Sublicense
"Territory"	China mainland, Hong Kong, and Macao Special Administrative Region
"Upfront Payment"	the upfront payment payable by Sisram Tianjin to Fosun Pharma Industrial under the Sublicense Agreement
"US$"	United States Dollars, the lawful currency of the United States
"YOY"	year over year

* *For identification purpose only*