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Sisram Medical Ltd
復銳醫療科技有限公司*

(Incorporated in Israel with limited liability)

(Stock Code: 1696)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2020 was US$162.1 million, decreased by 6.6% as compared to the revenue for the previous year.
- Profit for the year ended December 31, 2020 was US$14.7 million, decreased by 33.1% as compared to that for the previous year.
- Net cash flows from operating activities for the year ended December 31, 2020 was US$25.7 million, up by 22.3% as compared to that for the previous year.

FINAL DIVIDEND

- The Board has resolved to declare a final dividend of HK$0.07 (inclusive of tax) per Share for the year ended December 31, 2020.

RESULTS HIGHLIGHTS

The board of directors (the "**Board**") of Sisram Medical Ltd (the "**Company**" or "**Sisram**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**") for the year ended December 31, 2020 (the "**Reporting Period**"), prepared under International Financial Reporting Standards ("**IFRSs**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2020 *US$'000*	2019 *US$'000*
REVENUE	4	162,095	173,520
Cost of sales		(71,794)	(77,646)
Gross profit		90,301	95,874
Other income and gains	4	1,124	2,395
Selling and distribution expenses		(43,085)	(43,496)
Administrative expenses		(15,874)	(15,833)
Research and development expenses		(10,957)	(10,470)
Other expenses		(3,783)	(2,902)
Finance costs	6	(1,064)	(729)
PROFIT BEFORE TAX	5	16,662	24,839
Income tax expense	7	(1,982)	(2,904)
PROFIT FOR THE YEAR		14,680	21,935
Attributable to:			
Owners of the parent		13,344	20,785
Non-controlling interests		1,336	1,150
		14,680	21,935
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the year (US cents)	9	3.02	4.70

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020	2019
	US$'000	*US$'000*
PROFIT FOR THE YEAR	14,680	21,935
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	1,818	56
Effective portion of changes in fair value of hedging instruments arising during the year	417	84
Reclassification adjustments for gains included in the consolidated statement of profit or loss	(304)	(6)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	1,931	134
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Actuarial reserve relating to a defined benefit plan	74	(625)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	74	(625)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	2,005	(491)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16,685	21,444
Attributable to:		
Owners of the parent	15,349	20,294
Non-controlling interests	1,336	1,150
	16,685	21,444

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2020 *US$'000*	2019 *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		12,813	5,328
Right-of-use assets		33,348	8,921
Goodwill		111,183	111,183
Other intangible assets		53,281	58,630
Deferred tax assets		5,047	4,791
Trade receivables	10	10,616	7,053
Investments in associates		173	–
Other non-current assets		195	211
Total non-current assets		226,656	196,117
CURRENT ASSETS			
Inventories		37,191	33,018
Trade receivables		46,501	49,474
Prepayments, other receivables and other assets		3,955	4,195
Tax recoverable		976	2,204
Derivative financial instruments		–	32
Cash and bank balances		116,527	107,792
Total current assets		205,150	196,715
CURRENT LIABILITIES			
Contract liabilities		8,178	5,480
Trade payables	11	9,444	11,992
Other payables and accruals		32,357	16,615
Interest-bearing bank and other borrowings		1,518	2,410
Lease liabilities		2,817	2,921
Derivative financial instruments		479	–
Total current liabilities		54,793	39,418
NET CURRENT ASSETS		150,357	157,297
TOTAL ASSETS LESS CURRENT LIABILITIES		377,013	353,414

	2020	2019
	US$'000	*US$'000*
NON-CURRENT LIABILITIES		
Contract liabilities	218	684
Interest-bearing bank and other borrowings	180	402
Lease liabilities	32,548	6,469
Deferred tax liabilities	9,910	10,645
Other long-term liabilities	2,268	9,644
Total non-current liabilities	45,124	27,844
NET ASSETS	331,889	325,570
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,254	1,254
Reserves	330,635	324,316
Total equity	331,889	325,570

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE 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 14 Halamish Street, Caesarea Industrial Park, Caesarea 38900, Israel.

The Company is an investment holding company. The Group was mainly involved in the design, development, manufacture and sale of energy-based aesthetic medical, minimally invasive treatment systems, non-EBD devices and cosmeceutical.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on September 19, 2017.

The holding company 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.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs (which include all International Financial Reporting standards, International Accounting Standards and interpretations ("**IASs**")) 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, 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting* 2018 (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after January 1, 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after June 1, 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the financial position and performance of the Group.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2020	2019
	US$'000	*US$'000*
Europe	34,653	48,334
North America*	54,443	47,479
Asia-Pacific	43,641	43,762
Latin America	8,134	12,209
Middle East and Africa	21,224	21,736
	162,095	173,520

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

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

(b) Non-current assets

	2020	2019
	US$'000	*US$'000*
Israel	215,776	187,090
United States	1,610	1,571
Other countries	4,223	2,665
	221,609	191,326

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

Information about a major customer

Revenue from sales to one single customer accounted for about 13.64% of the total revenue for the Reporting Period.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	US$'000	*US$'000*
Revenue from contracts with customers	162,095	173,520

(i) Disaggregated revenue information

For the year ended December 31, 2020

	2020	2019
	US$'000	*US$'000*
Types of goods or services		
Sale of products	153,362	162,811
Services provided	8,733	10,709
Total revenue from contracts with customers	162,095	173,520
Timing of revenue recognition		
Goods transferred at a point in time	153,362	162,811
Services transferred over time	8,733	10,709
Total revenue from contracts with customers	162,095	173,520

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:

	2020	2019
	US$'000	*US$'000*
Revenue recognized that was included in contract liabilities at the beginning of the reporting periods:		
Sale of products	3,118	824
Services provided	2,362	1,392
	5,480	2,216

(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:

	2020	**2019**
	US$'000	*US$'000*
Amounts expected to be recognized as revenue:		
Within one year	8,178	5,480
After one year	218	684
	8,396	6,164

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

	2020	**2019**
	US$'000	*US$'000*
Bank interest income	773	1,830
Gain on the early termination of leases	339	–
Fair value gains from foreign exchange forward contracts not qualifying as hedges	–	565
Others	12	–
	1,124	2,395

5. PROFIT BEFORE TAX

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

	2020 *US$'000*	2019 *US$'000*
Cost of inventories sold	49,077	52,648
Cost of services and others	22,717	24,998
	71,794	77,646
Employee benefit expense (including directors' and senior management's remuneration):		
Wages and salaries	32,330	36,982
Defined benefit scheme	841	812
	33,171	37,794
Research and development costs:		
Current year expenditure	10,957	10,470
Auditors' remuneration	322	287
Lease payments not included in the measurement of lease liabilities	862	940
Depreciation of property, plant and equipment	1,848	1,197
Depreciation of right-of-use assets	3,265	3,078
Amortization of other intangible assets	5,349	5,450
Provision for impairment of inventories	1,398	1,243
Provision for impairment of trade receivables	1,453	696
Fair value loss/(gain) from foreign exchange forward contracts not qualifying as hedges	645	(565)
Foreign exchange differences, net	223	963

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 *US$'000*	2019 *US$'000*
Interest on loans and borrowings	297	371
Interest on lease liabilities	767	358
	1,064	729

7. INCOME TAX

The Israeli corporate tax rate applicable to the Company was 23% for the Reporting Period (2019: 23%). Each entity in the Group is taxable based on its standalone results as measured by the local tax system.

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

Nova Medical Israel Ltd. ("**Nova**") is taxed based upon the tax law in Israel, the country of residence. Income was taxed at the corporate income tax rate of 23% for the Reporting Period (2019: 23%).

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

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

Applicable benefits under the new regime include:

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

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

The following applies to SPTE:

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

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

As of December 31, 2020, Alma enjoyed a preferential effective tax rate of 6%, for being a SPTE for the year ended December 31, 2020 (2019: 9%).

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

Rate Reduction

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

The income of Alma Lasers GmbH, a subsidiary incorporated in Germany, is taxed based upon the tax law in Germany, the country of residence. Income was taxed at a flat corporate income tax rate of 15% during the Reporting Period and was also subject to additional trade income taxes of 16.47% as applicable.

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

The income of Alma Medical Private Limited, a subsidiary incorporated in India, is taxed based upon the tax law in India, the country of residence. Income was taxed at a corporate income tax rate of 26% during the Reporting Period (which was not a flat rate but included many deductions/exemptions/rebates as per the Income Tax Act 1961) and the Company was also subject to withholding taxes as per the provisions of the said Income Tax Act 1961.

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

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

The income of Alma Korea Limited, a subsidiary incorporated in Korea, is taxed at the rate of 17%.

	2020	**2019**
	US$'000	*US$'000*
Current	2,973	3,935
Deferred	(991)	(1,031)
Total tax charge for the year	1,982	2,904

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:

	2020	**2019**
	US$'000	*US$'000*
Profit before tax	16,662	24,839
Statutory tax rate	23%	23%
Tax at the statutory tax rate	3,832	5,713
Different tax rates for certain entities	(2,493)	(2,764)
Effect on opening deferred tax from changes in tax rates	235	(389)
Expenses/(income) not deductible/(recognized) for tax	49	(7)
Taxes in respect of previous years	(79)	182
Tax losses not recognized	319	–
Others	119	169
Total tax charge for the year	1,982	2,904

8. DIVIDEND

On March 18, 2021, the Board resolved to declare a final dividend of HK$0.07 (inclusive of tax, equivalent to approximately US$0.009) per share for the year ended December 31, 2020 (for the year ended December 31, 2019: HK$0.11).

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

The calculation of the basic earnings per share amount is based on the profit for the Reporting Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares ("**Shares**") of 442,155,600 (2019: 442,155,600) in issue during the Reporting Period.

The calculation of basic earnings per share is based on:

	2020	**2019**
	US$'000	*US$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	13,344	20,785

	2020	**2019**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	442,155,600	442,155,600

No adjustment has been made to the basic earnings per share presented for the years ended December 31, 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during the years.

10. TRADE RECEIVABLES

	2020	**2019**
	US$'000	*US$'000*
Trade receivables	58,787	57,256
Current	48,087	50,158
Non-current	10,700	7,098
Impairment	(1,670)	(729)
Current	(1,586)	(684)
Non-current	(84)	(45)
	57,117	56,527

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 minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	2020	2019
	US$'000	*US$'000*
Within 1 month	14,973	15,855
1 to 2 months	8,872	7,575
2 to 3 months	4,109	3,918
Over 3 months	29,163	29,179
	57,117	56,527

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

	2020	2019
	US$'000	*US$'000*
At beginning of year	729	1,387
Impairment losses *(note 5)*	1,453	696
Amount written off as uncollectable	(512)	(1,354)
At end of year	1,670	729

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

11. TRADE PAYABLES

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

	2020	2019
	US$'000	*US$'000*
Within 1 month	4,100	8,982
1 to 2 months	3,358	2,596
2 to 3 months	1,865	266
Over 3 months	121	148
	9,444	11,992

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

The Company is a leading global provider of energy-based medical aesthetic treatment systems, with comprehensive in-house capability to design, develop and produce such systems, which feature its innovative and proprietary technologies. Alma, the Company's core subsidiary, is also engaged in the injectables market with a distribution agreement from IBSA Derma ("**IBSA Derma**"), a Swiss cosmeceutical company and a leading subsidiary of IBSA Pharma Corporation, for the distribution of its products in Israel, Hong Kong SAR, India and Mainland China. The "Alma" brand, as well as the brands of many of the Group's products such as "Soprano", "Harmony", "ClearLift", "Accent", "FemiLift" and "BeautiFill" are widely recognized and well regarded among treatment providers and treatment recipients worldwide. The Group also sells its treatment systems via distributors and direct sales to customers in over 90 countries and jurisdictions worldwide.

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

2. BUSINESS REVIEW OF 2020

In 2020, Sisram's established global sales and distribution network recorded a total revenue of US$162.1 million for the Reporting Period, representing a decrease of 6.6% when compared to 2019. The decrease is attributed to the COVID-19 impact on the global economy, displaying much of the pandemic effect in the first 5 months of 2020 with performance recovery signs beginning in June 2020. Our swift responses to the changing market conditions have led to continued improvement in revenue. The Group's revenue in the second half of 2020 recorded an increase of 3% when compared to the revenue in the second half of 2019, topping the pre-pandemic results.

The gross profit margin amounted to 55.7%, compared to 55.3% in 2019. Gross profit margin increased by 0.4% in 2020 primarily due to a higher proportion of sales to direct sales customers, which usually derives a higher margin, compared to distributors. The shift towards direct sales is a result of deploying a value creation methodology as part of our customer centric approach, aimed to strengthen our brand awareness and brand positioning. The establishment of direct operation offices in chosen territories has enabled the Company to shorten the supply chain, gain a higher brand visibility and ensure consistent communication with target clientele. During 2020, revenue derived from direct sales has surpassed revenue derived from distributors with 55.5% attributed to the former and 44.5% to the latter.

For the Reporting Period, the Group recorded profit before tax of US$16.7 million and recorded profit for the year of US$14.7 million, representing a decrease of 32.9% and 33.1% respectively, when compared with the year ended December 31, 2019. The decrease in profit before tax and profit for the year was mostly due to decrease in revenue, a decrease in gross profit (US$5.6 million), a decrease in other income (US$1.3 million) and an increase in R&D expenses that were not offset by a decrease in operating expenses at a similar rate (US$0.5 million). Following a financial and operational internal evaluation process, the Group charted short- and long-term plans to deal with the pandemic impact. As a veteran Group with a robust financial backbone, the Group utilized its cash resources for the ongoing business operation during the second half of the year, to maintain its human capital and sustain its operational resilience, while addressing the following goals:

- Support employees and business partners during these challenging times.

- Return to normal operation with all necessary elements (sales, production, distribution and service) as soon as demand recovers.

- Continuation of strategic projects such as upgrading IT infrastructures (ERP and CRM systems), move into the new campus, research & development projects, clinical studies, etc.

- Protect financial assets and company value.

For the Reporting Period, the Group recorded an adjusted net profit of US$20.1 million representing a decrease of 25.3% when compared with the corresponding period of 2019. The adjusted net profit margin for the Reporting Period was 12.4%. 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$25.7 million, representing an increase of 22.3% when compared to 2019. The increase is attributed to decrease in days of sales outstanding to 90 days when compared to 102 days in 2019.

R&D

- R&D investments increased by 4.7% YOY.

- 13.8% of corporate employees are R&D specialists.

- 4 new products were launched during the Reporting Period –

  - o "Opus Plasma" – the first plasma skin resurfacing technology that swept the North American market quickly with an outstanding demand;

  - o "Harmony XL PRO special edition" with the new, groundbreaking applicator – doubling the power of previous solutions and providing visibly younger looking skin;

  - o DermaClear – a powerful hydradermabrasion platform for skin exfoliation, cleansing, extraction, and hydration, designed to meet the increasing demand for high-quality, risk-free, and thorough skincare treatments; and

  - o "Alma Hybrid" – the first and only device of its kind to bring together three powerful energies, two laser sources and impactful ultrasound, that delivers unparallelled results for skin rejuvenation and scar treatment, with significantly reduced downtime.

- On the clinical research front, the Group has conducted 30 clinical and preclinical studies (including sponsored & investigator sponsored trials) during the Reporting Period, in the aesthetics, dermatology, plastic surgery, and gynecology fields.

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

Sales and Marketing

As a multi-national entity, Sisram is required to adjust its performance according to each country/state limitations (such as USA, DACH, India, etc). This practice of global outlook with local focus which we called Glocalization methodology has been fully exploited during the COVID-19 outbreak to (1) monitor the pandemic situation in each country, (2) prepare the recovery plan, and (3) coordinate across all subsidiaries and execute the plan.

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

- Upgrade webinars activities as a substitute to cancelled conferences, trainings, and sales meetings. The Group has successfully conducted the first all-digital product global launch, transmitted from the company's headquarter to 5 continents with the first exposure of the new Alma Hybrid platform. The event was broadcasted across multiple communication channels including YouTube.

- Launch multiple digital campaigns to generate B2B leads across different territories.

- Increase content creation and social media presence to keep B2B and B2C dialogue going.

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

Mergers & Acquisition ("M&A")

Realizing Sisram's vision of providing an umbrella of solutions for the wellness market, the Group made an investment in a start-up company that was incubated by Shanghai Fosun Pharmaceutical (Group) Co., Ltd ("**Fosun Pharma**") venture capital fund. The startup company, named Tianjin JuveStar Bio-technology Co., Ltd., ("**Tianjin JuveStar**"), recently announced the signing of a license agreement with Raziel Therapeutics, for the exclusive commercialization of an exciting injectable product addressing aesthetic indications to reduce fat in the Greater China region.

The agreement provides JuveStar with exclusive rights to develop and commercialize Raziel's proprietary RZL-012 – the first and long-lasting single treatment injectable product for aesthetic and therapeutic applications.

Business Development

During the Reporting Period, the Group have continuously explored new business opportunities, following the charted guidelines – strengthen its Asia-Pacific ("**APAC**") position, diverse the business and create synergistic value with Alma.

Sisram's business development team, led by Alma's veteran professionals, denoted two new business lines – dental industry and personal care as the next building blocks in Sisram's eco-system, taking into consideration the significant growth of these markets along with the potential synergies with Alma's operation. Sisram's vision for the new dental business line is to become a holistic digital workflow service provider enabling cost-effective and efficient measurement, design and production process for aesthetic dentistry treatments via an on-line (digital) platform covering all aspects from intra-oral scanning to final dental appliance delivery.

The personal care business line is defined as an extension and enhancement of the treatments offered by Alma to the consumers, broadening the Group's reach and engagement with the end-user, the consumer. Sisram's vision for the new personal care incorporate new business presence and operation channels that will fully mature by 2022, offering an on-line, digital community that will combine digital (e-commerce) as well as traditional distribution format based on Alma's medical channels.

Operations

During the Reporting Period, the Group focused its operational efforts on the following spearheads:

- Addressing the pandemic effect:

  - o Following the lockdowns in several territories and components supply shipments delays, the group has activated alternative sources of supply – mainly by replacing plastic parts with CNC machining metal parts.

  - o Enhance inbound materials visibility in response to decline in suppliers "on time delivery" performances.

  - o Evaluate and exercise alternative outbound logistics options, to replace air transportation.

  - o Provide required IT tools to allow employees to work remotely from home when applicable.

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

- Alma's new campus project has been completed and transition was done during August 2020. The new campus consolidates all operation sites into one with future expansion capacity of 50%.

- Digital and IT:

  - o During 2020, Sisram invested US$0.8 million in information technology infrastructure upgrade. This ongoing significant investment is dating back to the beginning of 2019 and is planned to continue throughout 2022.

  - o Global ERP System upgrade, initial implementation of global CRM system and full implementation of global HR system were completed in 2020.

3. OUTLOOK FOR 2021

Based on an increase in the demand for the Company's products and the backlog of orders as of December 31, 2020, barring any unforeseen circumstances or material change in market conditions, the Group expects to record a significant growth in revenue of over 40% in the first half of 2021 as compared to the revenue recorded in the corresponding period in 2020.

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

Strategic branding:

- Sisram has engaged a leading strategic branding agency to develop the global branding and positioning of Sisram as a one-of-a-kind business entity in the greater wellness industry. This project will be conducted during the first half of 2021.

IT infrastructure and Digitalization:

- With the pandemic accelerating the Group's digital transformation program, Sisram will focus on two major objectives in these areas:

    o Enable customers' centric operation mindset whereas activities are based on customers' data, to facilitate informed corporate decisions making process.

    o Digitize existing processes, create new ones and centralize data.

In addition, we plan to:

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

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

3.3 Continue ongoing clinical studies, in addition to new studies aimed to support regulatory requirements (i.e. FDA study for BeautiFill treatment upgrade and Harmony next generation).

3.4 Continue to expand our Internet of Things service module with Cloud base application for smart clinic management in China with Alibaba infrastructure and Amazon infrastructure in North America.

3.5 Complete IBSA Derma products registration in China and expand the Hong Kong and India injectables business by introducing additional products in this category.

3.6 Allocate sales and marketing efforts to develop our market share in direct operation territories.

3.7 Continue the North America's sales and marketing focus following the successful results achieved in first half of 2020.

3.8 Explore unexploited direct operation opportunities worldwide.

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

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

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

3.12 Expand the Group's presence and business in China via the new official Sisram's China office. The China office will handle various business activities addressing the evolving ecosystem and potential synergies between Sisram and its majority shareholder, Fosun Pharma. Amongst the first activities the new office will oversee are: aesthetic dentistry, registration of dermal facial fillers with China's National Medical Products Administration, expansion of the injectables category offering, and the establishment of a regional service center and regional warehouse.

4. FINANCIAL REVIEW

Overview

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

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

	2020		2019		YOY %
	(US$ in thousands, except for percentages)				
	Amount	**% of revenue**	**Amount**	**% of revenue**	
Revenue	162,095	100%	173,520	100.0%	(6.6%)
Cost of sales	(71,794)	44.3%	(77,646)	44.7%	(7.5%)
Gross profit	90,301	55.7%	95,874	55.3%	(5.8%)
Other income and gains	1,124	0.7%	2,395	1.4%	(53.1%)
Selling and distribution expenses	(43,085)	26.6%	(43,496)	25.1%	(0.9%)
Administrative expenses	(15,874)	9.8%	(15,833)	9.1%	0.3%
Research and development expenses	(10,957)	6.8%	(10,470)	6.0%	4.7%
Other expenses	(3,783)	2.3%	(2,902)	1.7%	30.4%
Finance costs	(1,064)	0.7%	(729)	0.4%	46.0%
Profit before tax	16,662	10.3%	24,839	14.3%	(32.9%)
Income tax expense	(1,982)	1.2%	(2,904)	1.7%	(31.7%)
Profit for the year	14,680	9.1%	21,935	12.6%	(33.1%)

(a) Revenue

During the Reporting Period, revenue of the Group decreased from US$173.5 million to US$162.1 million, representing a decrease of 6.6% when compared to 2019. The overall decrease was primarily attributable to a decrease in the sales volume of main consoles and applicators for the Company's different products, due to the COVID-19 impact on the global economy. The pandemic significantly disrupted the global medical aesthetics industry in general and the clinical operations of hospitals, aesthetic clinics and doctors' practices in specific. As at the date of this announcement, the clinical operation of medical aesthetics practices have not been fully back to its normal level prior to the outbreak of COVID-19, although significant improvement is seen in June 2020 as compared to the Reporting Period.

Revenue by main product segments

We generate revenue from the following revenue streams: (i) sale of goods; and (ii) services and others. The revenue from sale of goods amounted to US$153.4 million, representing a decrease of 5.8% as compared with 2019, which was mainly attributed to the overall impact of COVID-19 on market demand.

The revenue from service and others amounted to US$8.7 million, representing a decrease of 18.5% as compared with 2019.

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

	2020		**2019**		YOY %
	(US$ in thousands, except for percentages)				
	Amount	**% of revenue**	**Amount**	**% of revenue**	
Sale of Goods:					
Non-invasive medical aesthetics:					
Core	117,064	72.2%	124,369	71.7%	(5.9%)
Beauty	14,483	8.9%	11,079	6.4%	30.7%
Subtotal	131,547	81.2%	135,448	78.1%	(2.9%)
Minimally invasive	20,084	12.4%	22,120	12.7%	(9.2%)
Non-EBD*	4,256	2.6%	3,172	1.8%	34.2%
Deferred Revenues, Net	(2,525)	(1.6%)	2,071	1.2%	(221.9%)
Subtotal	153,362	94.6%	162,811	93.8%	(5.8%)
Services and Others	8,733	5.4%	10,709	6.2%	(18.5%)
Total	162,095	100%	173,520	100.0%	(6.6%)

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

We have derived a substantial majority of our revenue from our Core product line, representing 72.2% of our total revenue for the Reporting Period. This includes our flagship non-invasive medical aesthetics treatment systems: "Soprano", "Harmony" and "Accent" platforms, as well as our Aesthetic Precision product line. Revenue from the sale of our Core product line was US$117.1 million in 2020, representing a decrease of 5.9% in comparison with a revenue of US$124.4 million in 2019. The decrease was mainly attributed to the overall decline in sales volume due to the pandemic impact.

Revenue from our minimally invasive product line decreased by 9.2% and amounted to US$20.1 million compared to US$22.1 million in 2019. The decrease is attributed to the overall decline in sales volume due to the pandemic impact.

Growing revenues from consumables US$2.5 million in 2019 and US$3.2 million in 2020 which represent a 24.2% growth YOY.

Revenue by geographic segments

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

	2020		2019		YOY %
	(US$ in thousands, except for percentages)				
	Amount	**% of revenue**	**Amount**	**% of revenue**	
Europe	34,653	21.4%	48,334	27.9%	(28.3%)
North America	54,443	33.6%	47,479	27.4%	14.7%
APAC	43,641	26.9%	43,762	25.2%	(0.3%)
Middle East and Africa	21,224	13.1%	21,736	12.5%	(2.4%)
Latin America	8,134	5.0%	12,209	7.0%	(33.4%)
Total	162,095	100.0%	173,520	100.0%	(6.6%)

During 2020, APAC, Europe and North America were the Company's most important geographic segments by revenue contribution, though sales were distributed broadly across many regions globally. The Company has strived to maintain and expand its geographically diverse sales network, which will allow the Company to readily capture strong regional demand, as well as help the Company to balance and minimise risks from regional economics downfalls.

The revenue derived from the Europe segment decreased by 28.3% to US$34.7 million in 2020 from US$48.3 million in 2019. The decrease is in line with the volume of the pandemic impact on this continent.

The revenue derived from North America increased by 14.7% to US$54.4 million in 2020 from US$47.5 million in 2019. The increase is attributed to our prominent position in the skin resurfacing market with the successful launch of our skin resurfacing solution – "Opus Plasma" the first plasma skin resurfacing technology that swept the North American market quickly with an outstanding demand.

The revenue derived from APAC decreased by 0.3% to US$43.6 million in 2020 from US$43.8 million in 2019. We have been tracking the APAC region results for few quarters, as well as designing and executing regional focus strategy which is manifested through the establishment of two new subsidiaries in South Korea and Australia during 2019.

The revenue derived from Middle East and Africa decreased by 2.4% to US$21.2 million in 2020 the from US$21.7 million in 2019. The decrease is mainly attributed to the impact of the pandemic on these territories. Nonetheless, the decrease was offset by increase of 4.1% YOY in our Israeli subsidiary Nova which is align with our strategy to go directly in specific regions.

Our Latin America revenue decreased by 33.4% to US$8.1 million in 2020 from US$12.2 million in 2019. The decrease is in line with the volume of the pandemic impact on this territory.

(b) Cost of sales

During the Reporting Period, the cost of sales primarily comprised the costs of production materials, and to a lesser extent, remuneration of production employees, the cost of rendering of services, and overheads and other miscellaneous costs relating to production. For the Reporting Period, the cost of sales of the Group decreased by 7.5% to US$71.8 million from US$77.6 million in 2019, which is mainly caused by material costs as a result of the decrease in sales volume.

(c) Gross profit and gross profit margin

During the Reporting Period, gross profit of the Group decreased by 5.8% to US$90.3 million from US$95.9 million for in 2019 for the reasons set out in revenue and cost of sales above.

The gross profit margin increased to 55.7% for the Reporting Period from 55.3% in 2019. The increase relates mainly to a higher portion of direct sales 55.5% when compared to 53.9% in 2019.

(d) Selling and distribution expenses

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

During the Reporting Period, selling and distribution expenses of the Group decreased by 0.9% to US$43.1 million from US$43.5 million in 2019, the decrease resulted from lower commission expenses, and decrease of marketing events due to the pandemic.

(e) Administrative expenses

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

During the Reporting Period, administrative expenses of the Group increased by 0.3% to US$15.9 million from US$15.8 million in 2019. The increase is mainly attributed to a new IT team we established to manage and support the new ERP system, in addition one-time lease improvements depreciation in accordance with the moving to the new campus and the revaluation of contingent consideration related to the acquisition of Nova.

(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, majority of R&D expenses were recorded in the period that such expenses were incurred and were not capitalized.

During the Reporting Period, R&D expense increased by 4.7% to US$11 million from US$10.5 million for the corresponding period in 2019.

(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$1.1 million in 2020 from US$0.7 million in 2019, due to new lease liability contract that was signed in 2020.

(h) Income tax expense

The Israeli corporate tax rates are both 23% in 2020 and 2019. Each entity in the Group is taxable based on its standalone results as measured by the local tax system.

During the Reporting Period, income tax expense decreased to US$2.0 million, representing a decrease of 31.7% from US$2.9 million in 2019. This was primarily attributable to the lower income before tax. In addition, Alma enjoyed special taxation terms from January 1, 2017.

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

(i) Profit for the year

As a result of the foregoing, during the Reporting Period, our profit for the year decreased by 33.1% to US$14.7 million from US$21.9 million for the corresponding period in 2019. The net profit margin of the Group for 2020 and 2019 were 9.1% and 12.6%, respectively.

(j) Adjusted net profit and adjusted net profit margin

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

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

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

	2020	**2019**	YOY %
	US$ '000	*US$ '000*	
PROFIT FOR THE YEAR	14,680	21,935	(33.1%)
Adjusted for:			
Amortization of other intangible assets arising from the Alma acquisition	4,611	4,580	0.7%
Amortization of other intangible assets arising from the Nova acquisition	1,051	592	77.5%
Contingent consideration arising from acquisitions	615	552	11.4%
Deduct: deferred tax arising from other intangible assets	(810)	(704)	15.1%
Adjusted net profit	20,147	26,955	(25.3%)
Adjusted net profit margin	12.4%	15.5%	

5. DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

(a) Treasury Policy

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

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

(b) Gearing Ratio

As at December 31, 2020 and December 31, 2019, 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 16.7 times as compared with 35.1 times for the corresponding period in 2019. The interest coverage decreased mainly because the Group's EBIT during the Reporting Period decreased by 30.7% to US$17.7 million from US$25.6 million in 2019, and finance cost increased by 46.0% to US$1.1 million from US$0.7 million in 2019.

(d) Available Facilities

As of December 31, 2020, Sisram did not have any unutilized banking facilities. Sisram is mainly financing its operations through cash generated from operating activities.

(e) Interest Rate

As at December 31, 2020, total interest-bearing bank and other borrowings at a floating interest rate amounted to US$1.7 million (As at December 31, 2019: US$2.8 million).

(f) Maturity Structure of Outstanding Debts

The following tables sets forth the maturity structure of outstanding debts as at December 31, 2020 and December 31, 2019.

	2020			2019		
	Effective interest rate *(%)*	*Maturity*	*US$'000*	**Effective interest rate** *(%)*	*Maturity*	*US$'000*
Current						
Bank overdraft	3.25-3.65	2021	1,134	3.25-3.65	2020	958
Current portion of long-term bank loans, secured	3.1-3.8	2021	384	6-month LIBOR+3.75	2020	1,452
			1,518			2,410
Non-current						
Bank loan, secured	3.1-3.8	2022	180	6-month LIBOR +3.25-3.65	2021-2022	402
			1,698			2,812

Note: LIBOR stands for the London Interbank Offered Rate.

	December 31, 2020 *US$'000*	**December 31, 2019** *US$'000*
Within one year	1,518	2,410
In the second year	180	297
In the third to fifth years, inclusive	–	105
Total	1,698	2,812

(g) Collateral and Pledged Assets

Nova, Alma's subsidiary, entered into a loan agreement, pursuant to which Nova pledged to the banks all of the issued and outstanding shares of Nova and a floating charge over all of the present and future assets of Nova as they may be from time to time. The remaining balance of such loan amounted to US$0.6 million as at December 31, 2020.

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 2020 and 2019.

	2020 *US$ '000*	**2019** *US$ '000*	YOY %
Net cash flows from operating activities	25,737	21,037	22.3%
Net cash flows from/(used in) investing activities	(33,509)	53,687	(162.4%)
Net cash flows used in financing activities	(12,212)	(9,358)	30.5%
Net increase/(decrease) in cash and cash equivalents	(19,984)	65,366	(130.6%)
Cash and cash equivalents at the beginning of the period	99,735	33,840	194.7%
Effect of foreign exchange rate changes, net	3,622	529	584.7%
Cash and cash equivalents at the end of the period	83,373	99,735	(16.4%)
Pledged bank balances	154	57	170.2%
Term deposits with original maturity of more than three months	33,000	8,000	312.5%
Cash and bank balances at the end of the period	116,527	107,792	8.1%

Net cash flows from operating activities

For the Reporting Period, the net cash flows from operating activities were US$25.7 million, which was primarily attributable to: (i) the profit before tax of US$16.7 million; (ii) total adjustments for profit or loss items of US$13.9 million; (iii) working capital adjustments of US$3.4 million; and (iv) income tax paid of US$1.5 million.

Net cash flows from investing activities

For the Reporting Period, the net cash flows used in investing activities were US$33.5 million, which was primarily attributable to: (i) an increase of US$25.0 million in term deposits with original maturity of more than three months, in relation to a cash deposit that we made into a savings account at a third-party commercial bank, (ii) US$0.8 million interest received from term deposits (iii) offset by US$0.2 million investment in an associate; and (iv) US$9.3 million in purchase of plant and equipment.

Net cash flows used in financing activities

For the Reporting Period, the net cash flows used in financing activities was US$12.2 million, which was primarily attributable to: (i) distribution of dividend of US$6.3 million; and (ii) payment of lease payments of US$3.8 million.

7. CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

During the Reporting Period, capital expenditures of the Group amounted to US$9.3 million, which mainly consisted of additions to the plant facility and ERP Costs.

On December 22, 2020, Sisram Medical (Tianjin) Limited ("**Sisram Tianjin**"), a subsidiary of the Company, entered into the series A investment agreement as an original shareholder and a series A investor with, among others, Fosun Health Fund (Suzhou) and Fosun Health Fund (Tianjin) (the general partners of which are subsidiaries of Fosun Pharma) and Tianjin JuveStar in relation to an aggregate capital injection of US$16.71 million (equivalent to RMB109 million) into Tianjin JuveStar, to which, Sisram Tianjin agreed to contribute US$1.53 million (equivalent to RMB10 million) (2019: Nil).

As of December 31, 2020, the Group did not have any significant capital commitments.

8. CONTINGENT LIABILITIES

As of December 31, 2020, the Group did not have any contingent liabilities.

9. MATERIAL ACQUISITION AND DISPOSAL

During the Reporting Period, the Group did not conduct any material acquisition or disposal.

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

Save for those disclosed in this announcement, there were no other significant investments held as at December 31, 2020. The Group did not have other plans for material investments and capital assets.

11. RISK MANAGEMENT

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

(a) Foreign Currency Exposure

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

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

(b) Interest Rate Exposure

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

12. EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth the number of our employees by function as at December 31, 2020:

Functions	Number of Employees
Operations	175
R&D	67
Sales & Marketing	188
General and Administration	55
Total	485

Employees' headcount in 2020 decreased by 5.1% with the departure of 16 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.

13. USE OF PROCEEDS FROM THE GLOBAL OFFERING

Total net proceeds from the Global Offering amounted to approximately HK$771.3 million. As at the end of the Reporting Period, approximately HK$414.8 million has been used in accordance with the plan disclosed in the Prospectus of the Company (as adjusted in accordance with the announcement issued by the Company on October 8, 2018).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Group is committed to creating two-way channels of communication between senior management and investors, maintaining close relations with all its shareholders through a variety of channels and promoting understanding and communication between investors and the Group. The Company has adopted a shareholders' communication policy to formalize and facilitate the effective and healthy communication between the Company and its shareholders and other stakeholders, which is available on the website of the Company (http://www.sisram-medical.com). The main communication channels with the shareholders include investors' meetings, general meetings, annual reports, interim reports, announcements and circulars, prospectuses and the Group's website.

The Group has a dedicated team to maintain contact with investors and handle shareholders' inquiries. Should investors have any inquiries, please contact the Group's investor relationship department (email: info@sisram-medical.com).

FINAL DIVIDEND

The Board has resolved to declare a final dividend of HK$0.07 (inclusive of tax) per Share for the year ended December 31, 2020 (the "**2020 Final Dividend**"). A separate announcement will be made by the Company in relation to the record date for ascertaining shareholders' entitlement to the 2020 Final Dividend in due course.

TAXATION ON DISTRIBUTION OF DIVIDENDS

The withholding tax rate applicable to the Company in the distribution of the dividends to the shareholders depends on the source of the distributed earnings and the requirements under the Israeli Tax Ordinance and tax treaties. A further announcement will be made by the Company after the withholding tax rate applicable to 2020 Final Dividend is confirmed.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save for those disclosed in this announcement, no major subsequent events have occurred since the end of the Reporting Period and up to the date of this announcement.

ANNUAL GENERAL MEETING AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the year ended December 31, 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

For the Reporting Period, the Company has complied with all applicable principles and code provisions of the CG Code.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Directors' and Chief Executive Officer's Dealing Policy which is no less exacting than the required standard pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all of the directors of the Company, all directors of the Company confirmed that they have fully complied with the relevant requirements set out in its own code of conduct during the Reporting Period.

AUDITORS

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in the preliminary announcement have been compared by the Group's auditors, Ernst & Young, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2020 annual results and the financial statements for the year ended December 31, 2020 prepared in accordance with the IFRSs.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.sisram-medical.com. The 2020 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company in due course and will be published on the websites of the Company and the Stock Exchange.

APPRECIATION

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

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

Hong Kong, March 18, 2021

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Yi LIU, Mr. Lior Moshe DAYAN and Mr. Guojun BU as Executive Directors; Mr. Yifang WU, Mr. Yao WANG and Ms. Rongli FENG as Non-Executive Directors; Mr. Heung Sang Addy FONG, Mr. Chi Fung Leo CHAN, Ms. Jenny CHEN and Mr. Kai Yu Kenneth LIU as Independent Non-executive Directors.

* *For identification purpose only*