Sisram Medical Ltd
復銳醫療科技有限公司*

(Incorporated in Israel with limited liability)

(Stock Code: 1696)

UPDATE ON THE DISCLOSEABLE AND CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS RELATING TO THE SUBLICENSE AGREEMENT

BACKGROUND

Reference is made to the announcement (the "**Announcement**") of Sisram Medical Ltd (the "**Company**") dated July 14, 2021 in relation to the entering into of the Sublicense Agreement between Sisram Tianjin and Fosun Industrial. Capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise defined herein.

As disclosed in the Announcement, on July 14, 2021, Sisram Tianjin entered into the Sublicense Agreement with Fosun Industrial, pursuant to which Sisram Tianjin agreed to sublicense from Fosun 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.

Since the effective date of the Sublicense Agreement was six months after the issuance of agreement, and the Sublicense Agreement was not effective within this period, the Sublicense Agreement has been invalid.

AMENDED SUBLICENSE AGREEMENT

The Board would like to update the Shareholders and investors that, Revance, the Head Licensor, has successfully obtained the BLA for the aesthetic indications of the Licensed Product from FDA on September 8, 2022. Accordingly, on October 26, 2022, the Board approved an amended Sublicense Agreement (the "**Amended Sublicense Agreement**") so as to proceed with the Sublicense as previously contemplated under the Sublicense Agreement.

The terms of the Amended Sublicense Agreement are substantially the same as the terms of the Sublicense Agreement except for updates that are primarily related to the consideration to be paid under the Sublicense Agreement in light of the updates on the R&D progress of the Licensed Product.

The principal terms of the Amended Sublicense Agreement are set out below.

(i) the Sublicense

Pursuant to the Amended Sublicense Agreement, (i) Fosun Industrial proposed to grant to Sisram Tianjin an exclusive, royalty-bearing license, with the right to grant sublicenses under relevant know-how and patents of the Head Licensor relating to the Licensed Product (but excluding manufacturing related information and patents) to, among other things, import, sell and commercialize the Licensed Product in the Fields in the Territory. Sisram Tianjin shall engage Fosun Industrial or its affiliate to provide marketing and sales services for the sales of the Licensed Product to hospitals in the Territory, and the parties shall discuss and agree on specific terms separately; (ii) Fosun Industrial shall continue to carry out the remaining clinical trials and other development studies that are commenced in the Territory to support the obtaining of the regulatory approval of the Licensed Product in the Territory; and (iii) upon commercialization of the Licensed Product in the Fields in the Territory, Sisram Tianjin expects to enter into a supply agreement with Fosun Industrial or entities designated by Fosun Industrial to purchase the Licensed Product for distribution and sale of the Licensed Product in the Territory.

(ii) Consideration

Pursuant to the Amended Sublicense Agreement, Sisram Tianjin is required to make the following payments:

(1) **Upfront Payment:** an upfront payment of US$52.25 million (or US$55.39 million, tax inclusive) (the "**Amended Upfront Payment**") within 30 Business Days after the Amended Sublicense Agreement becomes effective.

The amount of the Amended Upfront Payment is determined with reference to, among other things, the upfront payment and the regulatory milestone payment already paid by Fosun Industrial to Revenance, the Head Licensor and the clinical expenses incurred by Fosun Industrial in relation to the Licensed Product. The increase in the additional upfront payment under the Amended Sublicense Agreement as compared to the amount of upfront payment under the Sublicense Agreement primarily relates to the additional R&D costs incurred by Fosun Industrial and/or its affiliates in the Territory in relation to the Licensed Product.

(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 "**Amended Regulatory Milestone Payments**"). As of the date of this announcement, the BLA for the aesthetic indications from FDA has been obtained.

(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.

The amount of the Amended Regulatory Milestone Payments and the Sales Milestone Payments are determined with reference to the respective amounts to be paid by Fosun Industrial to Revance pursuant to the Head License Agreement in relation to the relevant indication.

(4) **Royalty Payments:** royalty payments will be made as follows (the "**Amended 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 Amended Royalty Payments were determined after arm's length negotiation with reference to, among other things, the amounts of royalty to be paid by Fosun Industrial to Revance and the latest R&D progress of the Licensed Product.

The Net Sales refers to the gross amount invoiced by Sisram Tianjin, Sisram Tianjin's affiliates or sublicensees for sales of the Licensed Product to a third party, excludes the value added taxes payable by Sisram Tianjin as per applicable laws and less the following deductions:

(a) customary trade discounts, credits or allowances, not to exceed two percent (2%) of the gross amount invoiced;

(b) credits or allowances additionally granted upon returns, rejections or recalls (except where such recall arises out of the gross negligence, willful misconduct, or fraud by Sisram Tianjin, its affiliates or sublicensees);

(c) taxes, duties or other governmental tariffs (other than income taxes); and

(d) government mandated rebates.

The aggregated allowable deductions shall not exceed five percent (5%) of the gross amount invoiced.

If the product sold involves the combination of the Licensed Product and any other commercial product(s) (the "**Combination Product**"), Net Sales shall be calculated as follows:

(a) if the Licensed Product and Other Product(s) in such Combination Product each are sold separately in the Territory, Net Sales will be calculated by multiplying the total Net Sales (as described above) of the Combination Product by the fraction A/(A+B), where A is the standard average sales price in the Territory of the Licensed Product separately in the same formulation and dosage, and B is the (sum of the) standard average sales price(s) in the Territory of the Other Product(s) sold separately in the same formulation and dosage, during the applicable calendar year;

(b) If the Licensed Product is sold independently of the Other Product(s) in the Territory, but the standard average sales price of the Other Product(s) cannot be determined, Net Sales will be calculated by multiplying the total Net Sales (as described above) of such Combination Product by the fraction A/C, where A is the standard average sales price in the Territory of the Licensed Product sold separately in the same formulation and dosage and C is the standard average sales price in the Territory of the Combination Product, during the applicable calendar year; and

(c) If neither (a) nor (b) above apply, the parties will work together in good faith to determine the Net Sales of the Combination Product based on the relative values of the Licensed Product and the Other Product(s).

The Amended 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 (the "**Royalty Term**").

(iii) Effective Date

The Amended Sublicense Agreement will become effective on the date on which the later of the following occurs: (a) the Amended Sublicense Agreement is approved by the Board in accordance with the Company's articles of association; (b) the Amended Sublicense Agreement is approved by the Shareholders in a Shareholders' meeting in accordance with the Company's articles of association; and (c) the entering into of the Amended Sublicense Agreement.

(iv) Term of the Amended Sublicense Agreement and Termination

The term of the Amended Sublicense Agreement shall commence as of the Effective Date and, unless earlier terminated as provided herein, shall continue in effect until the date on which all of Sisram Tianjin's payment obligations under the Amended Sublicense Agreement as set out in section (ii) above have been performed or have expired (the "**Term**"). If the Effective Date has not occurred within six (6) calendar months of the date of the Amended Sublicense Agreement, the Amended Sublicense Agreement shall lapse automatically without requirement for any act, election or notice on the part of either Party, and neither Party shall have any right, obligation, claim or liability hereunder.

Subject to the terms of the Amended Sublicense Agreement, if either party to the Amended Sublicense Agreement (the "**Breaching Party**") has committed a material breach of any of its material obligations under the Amended Sublicense Agreement, and such material breach shall remain uncured and shall be continuing for a period of 60 days following the Breaching Party's receipt of notice of such breach from the other party (the "**Non-Breaching Party**") stating the Non-Breaching Party's intent to terminate the Amended Sublicense Agreement in its entirety if such breach remains uncured.

A party to the Amended Sublicense Agreement may terminate the Amended Sublicense Agreement immediately upon written notice to the other party if at any time during the term of the Amended Sublicense Agreement, the other party (i) becomes insolvent, (ii) has a case commenced by or against it under the Bankruptcy Code, (iii) files for or is subject to the institution of bankruptcy, liquidation or receivership proceedings, (iv) assigns all or a substantial portion of its assets for the benefit of creditors, (v) has a receiver or custodian appointed for the its business, or (vi) has a substantial part of its business being subject to attachment or similar process.

In addition, the Amended Sublicense Agreement may be terminated at any time prior to its expiration when Head License Agreement has been terminated.

REASONS FOR, AND BENEFITS OF, THE AMENDED SUBLICENSE AGREEMENT

In December 2018, Fosun Industrial obtained an exclusive license from Revance, the Head Licensor, with respect to the Licensed Product in the Territory with respect to the aesthetic indications and the therapeutic indications. Revance obtained BLA for the aesthetic indications from FDA on September 8, 2022.

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. As the Company is the primary platform focusing on medical aesthetic treatment system within Fosun Pharma Group of companies, the Group would be in the best position to commercialize the Licensed Product in the Territory with respect to the aesthetic indication. In addition, through entering into the Amended Sublicense Agreement, the Company would be able to diversify its product portfolio, create cross-selling opportunities and generate additional revenue for the Group, which in turn could also help strengthen the market position of the Group.

Taking into consideration the above, the Company believes that the Amended Sublicense Agreement is in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

The entering into the Amended Sublicense Agreement constitutes a material variation of the terms of the Sublicense Agreement and is required to be disclosed under Rule 14.36 and the note to Rule 14A.35 of the Listing Rules.

(i) Listing Rules Implications under Chapter 14A of the Listing Rules

As at the date of this announcement, Fosun Industrial is a wholly-owned subsidiary of Fosun Pharma and Fosun Pharma is a controlling shareholder of the Company, therefore, Fosun 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 Amended Sublicense Agreement and the proposed payments of the Amended Upfront Payment, the Amended 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 Amended Royalty Payments would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

With respect to (1) above, as the highest applicable percentage ratio in respect of the aggregate of the Amended Upfront Payment, the Amended Regulatory Milestone Payments and the Sales Milestone Payments exceeds 5%, the payments of the Amended Upfront Payment, the Amended Regulatory Milestone Payments and the Sales Milestone Payments under the Amended Sublicense Agreement are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

With respect to (2) above, (i) the Company has applied for 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 "*Amended Sublicense Agreement – (ii) Consideration – (4) Royalty Payments*" above as the annual caps for the Amended Royalty Payments during the term of the Amended Sublicense Agreement; and (ii) as the Royalty Term does not have a specified term and would be more than three years, the Company has applied for a waiver from strict compliance with Rule 14A.52 to allow the term of the Amended Sublicense Agreement to be for an unspecified term. Details of the waiver will be further announced by the Company.

(ii) Listing Rules Implications under Chapter 14 of the Listing Rules

According to the preliminary assessment of the Company, the Amended Upfront Payment and the Amended Regulatory Milestone Payments incurred for the Licensed Product meet the criteria for the recognition of the intangible assets and are expected to generate probable future economic benefits to the Company. Therefore, the Company expects to recognize such expenditures in "other intangible assets" which is capital in nature. Accordingly, the proposed payments of the Amended Upfront Payment and the Amended Regulatory Milestone Payments under the Amended Sublicense Agreement would constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the aggregate of the Amended Upfront Payment and the Amended Regulatory Milestone Payments exceeds 5% but is less than 25%, the payments of the Amended Upfront Payment and the Amended Regulatory Milestone Payments under the Amended Sublicense Agreement constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements, but are exempt from the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

RECOMMENDATION OF THE BOARD

Having regard to the reasons for, and benefits of, the Amended Sublicense Agreement as set out above, the Directors (other than the independent non-executive Directors, who will provide their opinion after taking into account the advice of the Independent Financial Adviser, details of which will be included in the Circular) consider that the terms of the Amended Sublicense Agreement are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Mr. Yifang WU, Mr. Yao WANG, Mr. Yi LIU, Ms. Rongli FENG and Mr. Guojun BU declared that they also hold certain positions in Fosun Pharma and/or its subsidiaries (other than the Group). Mr. Lior Moshe Dayan is the Chief Executive Officer of the Company, which is a subsidiary of Fosun Pharma. According to the Israeli laws and regulations, those Directors are considered to have a personal interest in the Amended Sublicense Agreement and are required to abstain from voting on the resolution of the Board approving the Amended Sublicense Agreement. However, the Israeli laws and regulations further provide that, a director may be present at the meeting of the board of directors in relation to a transaction and may participate in the voting if the majority of the directors of the company have a personal interest in such transaction. Accordingly, none of the Directors have abstained from voting on the resolution of the Board approving the Amended Sublicense Agreement.

INFORMATION ON THE PARTIES

(i) Information on Fosun Industrial

Fosun Industrial is a wholly-owned subsidiary of Fosun Pharma, the controlling shareholder of the Company, and is mainly engaged in the industrial investments, medical industry investments, import and export of goods and technologies.

(ii) Information on Sisram Tianjin

Sisram Tianjin is a wholly-owned subsidiary of the Company. 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 often feature its innovative and proprietary technologies. Alma Lasers Ltd. is the principal operating subsidiary of the Company.

GENERAL

(a) EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Sublicense Agreement (including the transactions contemplated thereunder).

As at the date of this announcement, CML and Ample Up, which held 27.31% and 43.82% of the issued share capital of the Company, respectively, are each an indirect subsidiary of Fosun Pharma. Accordingly, each of CML and Ample Up are required to abstain from voting on the resolution to approve the Sublicense at the EGM.

(b) Circular and Notice of EGM

The Circular, which will contain, among other things, (i) details of the Amended Sublicense Agreement (including the transactions contemplated thereunder), (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders, (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Amended Sublicense Agreement (including the transactions contemplated thereunder) and (iv) notice of the EGM, will be despatched to the Shareholders in due course.

(c) Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders.

The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Sublicense.

(d) Warning

Shareholders and potential investors of the Company should note that the Sublicense is subject to, among other things, the approval of the Independent Shareholders. Accordingly, there is no assurance that the Sublicense will be completed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

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

Hong Kong, October 26, 2022

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 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*