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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)

DISCLOSEABLE TRANSACTION
PROPOSED ACQUISITION OF BUSINESS

THE ACQUISITION

The Board is pleased to announce that, on March 30, 2023, Alma HK, an indirect wholly-owned subsidiary of the Company, entered into (i) the Asset Purchase Agreement with PhotonMed HK and the Owner, and (ii) the Shareholders Agreement with PhotonMed HK, the Owner and Alma Lasers, pursuant to which Alma HK has agreed to purchase and the Sellers have agreed to sell the Business (comprising the Target Assets). At the Completion, Alma HK shall issue 40% shares to PhotonMed HK so that Alma Lasers and PhotonMed HK will hold 60% and 40% of the total issued shares of Alma HK, respectively, immediately upon the Completion.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in relation to the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As completion of the Acquisition is conditional on the satisfaction or waiver of the Conditions, it may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

INTRODUCTION

The Board is pleased to announce that, on March 30, 2023, Alma HK, an indirect wholly-owned subsidiary of the Company, entered into (i) the Asset Purchase Agreement with PhotonMed HK and the Owner, and (ii) the Shareholders Agreement with PhotonMed HK, the Owner and Alma Lasers, pursuant to which Alma HK has agreed to purchase and the Sellers have agreed to sell the Business (comprising the Target Assets). At the Completion, Alma HK shall issue 40% shares to PhotonMed HK so that Alma Lasers and PhotonMed HK will hold 60% and 40% of the total issued shares of Alma HK, respectively, immediately upon the Completion.

THE ASSET PURCHASE AGREEMENT AND THE SHAREHOLDERS AGREEMENT

The principal terms of the Asset Purchase Agreement and the Shareholders Agreement are set out below:

(a) The Acquisition

Subject to the satisfaction or waiver of the Conditions, Alma HK shall purchase and the Sellers shall sell with effect from the Effective Date the assets, property or rights of the Sellers or the Leased Properties relating to the Business (the “**Target Assets**”), including but not limited to the goodwill, benefit of the business contracts, stock, business information, records, intellectual property rights and Advance Receipts of the Sellers in relation to the Business and the fixed assets, moveable assets of the Leased Properties. The Target Assets shall exclude, among other things, the Excluded Sales Agreement.

(b) Consideration

The total consideration for the Acquisition is a total amount of up to RMB270 million, being the base sum of RMB245 million (the “**Cash Consideration Base Amount**”) plus an additional amount of up to RMB25 million (the “**Alma Inventory Adjustment Amount**”) on account of the Alma Inventory based on its actual value as of the Completion, subject to the adjustments to the Cash Consideration Base Amount as set out in “(i) Deferred Consideration” and “(ii) Set-off of Advance Receipts” below. At the Completion, Alma HK shall issue 40% shares to PhotonMed HK so that Alma Lasers and PhotonMed HK will hold 60% and 40% of the total issued shares of Alma HK, respectively, immediately upon the Completion.

The Cash Consideration Base Amount is subject to the following adjustments:

(i) *Deferred Consideration*

Subject to the condition that the CEO Agreement is not materially breached or terminated, Alma HK shall pay part of the Cash Consideration Base Amount in an amount of up to RMB37.5 million (being the remainder of the Cash Consideration Base Amount after deducting the Escrow Down Payment, the Closing Payment and the Closing Escrow Payment as set out in “(c) Payments” below) (the “**Deferred Consideration**”) in three installments following the Completion, each payable within 30 days after the Company has published its interim reports for the six months ended June 30, 2024, June 30, 2025 and June 30, 2026. Each installment of the Deferred Consideration shall be calculated as follows:

Each installment of Deferred Consideration = Deferred Consideration Base Amount * Adjustment Multiple

For the purpose of the above calculation of each installment of the Deferred Consideration:

- each installment of the Deferred Consideration Base Amount equals to RMB12.5 million, being approximately five percent (5%) of the Cash Consideration Base Amount; and

- the Adjustment Multiple shall be determined based on performance with reference to the Target Revenue and Target EBITDA for the relevant year:

	Period 1	Period 2	Period 3
	July 1, 2023- June 30, 2024	July 1, 2024- June 30, 2025	July 1, 2025- June 30, 2026
Target Revenue (RMB)	450,000,000	550,000,000	650,000,000
Target EBITDA (RMB)	112,500,000	137,500,000	162,500,000

- i. The calculation period for the Target Revenue and Target EBITDA for the periods July 1 through June 30 for the three periods defined in the table above (for the purpose of this clause, a “**Period**”). However, if the Completion Date occurs after June 30, 2023, then the Target Revenue and Target EBITDA for Period 1 shall be calculated on a pro-rata basis, and the Actual Revenue and Actual EBITDA will be the Revenue and EBITDA actually earned by Buyer from the Completion Date until the end of Period 1.
- ii. First, the Adjustment Multiple should be equal to Zero in any one of the following events: (A) where Actual EBITDA is less than 20% of Actual Revenue for the applicable Period, or (B) where Actual Revenue is less than 70% of Target Revenue for the applicable Period, or (C) where Actual EBITDA is less than 70% of Target EBITDA for the applicable Period.
- iii. Second, determine the value of “**X**” (in the equation below): Where Actual EBITDA is equal or more than 20% of Actual Revenue for the applicable Period, and Actual Revenue is equal or more than 70% of Target Revenue for the applicable Period, and Actual EBITDA is equal or more than 70% of Target EBITDA for the applicable Period, then X shall be a 40%-60% weighted average of Revenue achievement ratio and EBITDA achievement ratio, i.e.:

$$X = 40\%*(Actual\ Revenue/Target\ Revenue) + 60\%*(Actual\ EBITDA/Target\ EBITDA)$$

- iv. Third, determine the Adjustment Multiple based on X, such that (A) where X is between 70% (inclusive) and 85%, the Adjustment Multiple shall be equal to X; (B) where X is between 85% (inclusive) and 100%, then the difference between X and 100% shall be multiplied by 0.5; or (C) where X is equal to or more than 100%, the Adjustment Multiple shall be equal to 1. The Adjustment Multiple is subject to a minimum cap of 0 (i.e. cannot be negative) and a maximum cap of 1 resulting in a maximum payment of RMB12,500,000.

Set out below is a formula to illustrate this point iv:

	X range	Adjustment Multiple
Scenario 1	$70\% \leq X < 85\%$	X
Scenario 2	$85\% \leq X < 100\%$	$X + [(1-X)*0.5]$
Scenario 3	$X \geq 100\%$	1

Set out below are the examples to illustrate the above calculation of the Adjustment Multiple:

	Revenue and EBITDA Achievement Ratios	EBITDA/ Revenue	X	Adjustment Multiple (RMB'000)	Actual payment (RMB'000)
Actual Revenue	70%	25%	70%	0.7	8,750
Actual EBITDA	70%				
Actual Revenue	70%	35.7%	88%	0.94	11,750
Actual EBITDA	100%				
Actual Revenue	100%	28%	106%	1.00	12,500
Actual EBITDA	110%				

The following definitions shall apply for the purpose of determining the Adjustment Multiple:

- i. **Actual EBITDA:** shall mean the EBITDA actually earned by the Company during the applicable Period.
- ii. **Actual Revenue:** shall mean the Revenue actually earned by the Company during the applicable Period.
- iii. **EBITDA:** shall mean earnings before interest expenses, tax expenses and depreciation and amortization, calculated based on financial statements which are in accordance with IFRS, applied on a consistent basis throughout the periods covered. For avoidance of doubt, any past accounting practices not in accordance with IFRS will not impact the calculation of EBITDA.
- iv. **Revenue:** shall mean the revenue of the Company, for a financial year as reflected in the audited annual financial statements of the Company (all in accordance with IFRS, applied on a consistent basis throughout the periods covered) from bona fide sales of products and/or services to third parties made by the Company in such financial year.
- v. **Target EBITDA:** shall the corresponding amount set forth in paragraph (d) (i) as may be adjusted in accordance with paragraph (d)(ii).
- vi. **Target Revenue:** shall the corresponding amount set forth in paragraph (d) (i) as may be adjusted in accordance with paragraph (d)(ii).

(ii) Set-off of Advance Receipts

Alma HK shall set off the full amount of the Advance Receipts from the Closing Payment as defined in “(c) Payments – (ii) Closing Payment” below.

The consideration was determined after arm’s length negotiation between Alma HK and the Sellers on normal commercial terms after taking into account, among other things, (i) the appraised value of the Business by Valuelink Management Consultants Limited, an independent valuer, using the market valuation method as of December 31, 2022, being RMB528,055,000; (ii) the fair value of the Alma Inventory; (iii) the Company’s assessment on the employees, client base, trademarks and brand value involved in the Business; (iv) the future synergy and potential business opportunities to be achieved by the Group for being able to distribute the products of Alma Lasers through more direct sales channels in China; (v) the business prospects of the Business for at least the following three years under the management of the Owner in Alma HK and its subsidiary; and (vi) the factors set out in the section headed “Reasons for, and Benefits of, the Acquisition” below.

(c) Payments

The consideration for the Acquisition set out in “(b) Consideration” above shall be made by Alma HK as follows:

- (i) Escrow Down Payment: An initial amount of RMB49 million from the Cash Consideration Base Amount shall be deposited by Alma HK to an escrow agent in two installments within twenty-one (21) days after establishing an escrow account;
- (ii) Closing Payment: An amount of RMB133.5 million from the Cash Consideration Base Amount together with the full Alma Inventory Adjustment Amount (i.e. a total amount between RMB133.5-158.5 million), shall be paid by Alma HK to the Sellers at Completion;
- (iii) Closing Escrow Amount: An amount of RMB25 million from the Cash Consideration Base Amount shall be paid by Alma HK to the escrow agent subject to a separate escrow agreement to be entered into by the parties. The escrow agreement shall include, inter alia, the mechanism to release the Closing Escrow Amount to the Sellers within 18 months following the Completion Date, or to withhold and/or return funds to Alma HK; and
- (iv) Deferred Consideration: The Deferred Consideration shall be paid in the period following the Completion in accordance with formula set out in “(b) Consideration – (i) Deferred Consideration” above.

The payments by Alma HK will be satisfied by the unutilised proceeds from the Placing and the Group’s internal resources.

In addition, Alma HK shall deliver or procure to be delivered to PhotonMed HK a copy of share certificate (and an original shall be provided subsequently upon request) issued in the name of PhotonMed HK at the Completion.

(d) Corporate Governance

The Owner shall serve as the chief executive officer of Alma HK and its subsidiary in good faith for a period of three (3) years following the Completion in accordance with the terms of the CEO Agreement.

(e) Completion Conditions

Completion of the Acquisition is subject to the satisfaction, or waiver by Alma HK, of the Conditions before the Longstop Date, including among others:

- (i) receipt of all necessary governmental approvals and permits in relation to the Acquisition;
- (ii) satisfaction of any requirement under the law or stock exchange rules applicable to the direct or indirect shareholders of Alma HK, including if required by governmental authority or needed for compliance with applicable stock exchange rules or the purchase price allocation study, a financial audit of the Business for the years 2020, 2021 and 2022, all by an accountant approved by Alma HK;
- (iii) the audit of the Alma Inventory shall be completed by satisfaction; and
- (iv) there shall not exist any actual or potentially significant adverse impact on the parties in all aspects, no significant change in the existing laws and regulations applicable to the going-concern and operation of the Business and for the transactions contemplated hereunder (a “**Material Adverse Change**”). Without limiting the generality of the foregoing, any such event or circumstance which causes a decrease of at least 5% in either the Revenue or the EBITDA of the Business for the period from January 1, 2023 to the Longstop Date as compared with the corresponding period of 2022, or can reasonably be expected to cause such a decrease for the year 2023 as compared with the year 2022, shall be deemed to constitute a Material Adverse Change.

(f) Completion Date

The Completion Date of the Asset Purchase Agreement shall be:

- (i) the date that is five Business Days after the Conditions have been satisfied (or waived by Alma HK) according to the terms of the agreement; or
- (ii) any other date the parties have agreed in writing; or
- (iii) if any party does not comply with its obligations at the Completion according to the terms of the agreement, a date being a Business Day no more than 28 days after the date on which the Completion would otherwise have been taken place as determined by the non-breaching party at its sole discretion.

(g) Termination

The Asset Purchase Agreement may be terminated under the following situations:

- (i) on the Longstop Date or any time between the Longstop Date and Completion automatically, if any of the relevant Conditions are not satisfied or waived by Alma HK by or before that date pursuant to the Asset Purchase Agreement;

- (ii) by Alma HK or the Sellers through written notice to the other parties, if a party does not comply with its obligations at the Completion and such breach or failure is not capable of remedy within 28 days after a party has given notice to the breaching party requiring the remedy; or
- (iii) by Alma HK at its sole discretion through written notice to the Sellers if any warranty given by the Sellers under the Asset Purchase Agreement has been breached, is untrue, inaccurate or misleading in any material aspect, or if any Seller has materially breached any other terms of the Asset Purchase Agreement.

INFORMATION ON THE BUSINESS

The summary of the unaudited key financial information of the Business for the two years ended December 31, 2022 prepared in accordance with PRC GAAP are as follows:

	Year ended December 31,	
	2021 <i>(RMB)</i>	2022 <i>(RMB)</i>
Net profits attributable to the Business before taxation and extraordinary items	105,904,000	66,316,000
Net profits attributable to the Business after taxation and extraordinary items	77,287,000	43,307,000

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

PhotonMed HK and its associates have been exclusive distributors of the products of Alma Lasers since 2003, mainly engaged in the distribution of medical and wellness products in China market. Leveraging the resource of direct sales channels to customers, as well as the strengths of integrated marketing, product technical support and aftersales services, PhotonMed HK has occupied the largest market share in China in the field of energy-based devices for years, and is a leading enterprise in this industry.

In view of the experience and market influence of PhotonMed HK in the industry, the Company believes that the proposed Acquisition will (i) enable Alma Lasers to control important direct sales channels and improve profitability; (ii) further enhance the market leading position of Alma Lasers, promote deep cultivation and penetration in China market, and strengthen the brand awareness; and (iii) accelerate the interaction and empowerment between different business sectors of the Company, promote the Company's globalization procedure and business development in depth in China, and continues to build a sound wellness ecosystem.

The Directors, having regard to the reasons and benefits of the transactions contemplated under the Asset Purchase Agreement and the Shareholders Agreement referred to above, consider that the terms of the transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in relation to the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INFORMATION ON THE PARTIES

(a) The Company, Alma Lasers and Alma HK

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 is the principal operating subsidiary of the Company, which was incorporated under the laws of Israel in October 1999. Alma HK is a direct wholly-owned subsidiary of Alma Lasers, which was an investment holding company incorporated in Hong Kong for the purpose of the Acquisition.

(b) PhotonMed HK and the Owner

PhotonMed HK is a company incorporated in Hong Kong with limited liability, which principally engages in the import, export, sales, service and maintenance of medical equipment. The Owner is a resident of domestic China, who is the ultimate beneficial owner of PhotonMed HK as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of PhotonMed HK and its ultimate beneficial owner, being the Owner, is a third party independent of the Company and connected persons of the Company.

GENERAL

As completion of the Acquisition is conditional on the satisfaction or waiver of the Conditions, it may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	acquisition of the Business (comprising the Target Assets) by Alma HK from the Sellers pursuant to the Asset Purchase Agreement
“Advance Receipts”	all amounts received (whether by deposit, pre-payment or otherwise) by or on behalf of the Seller, or owed to Seller, so far as the same relate to anything (including any service) to be provided by the Buyer under any of the contracts relating to the Business or otherwise in connection with the carrying on of the Business except for the Excluded Sales Agreements
“Alma HK”	Alma Hong Kong 2023 Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Alma Lasers
“Alma Inventory”	the products acquired by the Sellers from Alma Lasers, including the full systems and all related spare parts, components, accessories and consumables

“Alma Lasers”	Alma Lasers Ltd., a company incorporated in Israel with limited liability and the main operating subsidiary of the Company
“Asset Purchase Agreement”	the asset purchase agreement between Alma HK, PhotonMed HK and the Owner dated March 30, 2023
“Board”	the board of Directors
“Business”	all business activity related to the distribution of products of Alma Lasers in China carried on by the Sellers or other related entities thereof as of the date of the Asset Purchase Agreement and at the Effective Date
“Business Day”	a day, other than a Saturday, Sunday or public holiday, on which commercial banks are open for business in Hong Kong, and domestic China
“CEO Agreement”	the agreements pursuant to which the Owner will serve as the chief executive officer of Alma HK and its subsidiary for a period of three (3) years following the Completion
“China”	the People’s Republic of China, and for the purpose of this announcement, includes Hong Kong, Macau and Taiwan regions
“Company”	Sisram Medical Ltd, a company incorporated in Israel with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1696)
“Completion”	completion of the sale and purchase of the Business (comprising the Target Assets) in accordance with the Asset Purchase Agreement
“Conditions”	the conditions precedent to the completion of the Acquisition as set out in the Asset Purchase Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Effective Date”	close of business on the Completion Date
“Excluded Sales Agreement”	sales agreements for which the Sellers have received advance payments in excess of 10% the applicable purchase price prior to the Completion Date and all advance payments received thereunder, provided however that all such agreements are performed in full (with respect to delivery and installment) within three (3) months following the Completion Date, and the products purchased thereunder are supplied from Alma Lasers to the Sellers prior to the Completion Date and are not part of the Target Assets
“Group”	the Company and its subsidiaries
“IFRS”	the International Financial Reporting Standards
“Israel”	the State of Israel

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“Longstop Date”	6.00 pm on 15 June 2023, provided that Alma HK may extend the Longstop Date until 30 June 2023 by providing written notice to the other parties to the Asset Purchase Agreement, or such later time and date as may be agreed in writing by Alma HK and the Sellers
“Owner”	Ms. Zhou Mei
“PhotonMed HK”	PhotonMed International Limited, a company incorporated in Hong Kong with limited liability
“Placing”	the placing of new shares of the Company on July 27, 2021, details of which are set out in the announcements of the Company dated July 20, 2021 and July 27, 2021
“PRC GAAP”	accounting principles generally accepted in domestic China
“RMB”	Renminbi, the lawful currency of domestic China
“Shareholders Agreement”	the shareholders agreement between PhotonMed HK, the Owner, Alma Lasers and Alma HK dated March 30, 2023
“Sellers”	PhotonMed HK, the Owner and their associates
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, March 30, 2023

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Yi LIU and Mr. Lior Moshe DAYAN 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