Sisram Medical Ltd
復銳醫療科技有限公司*

(Incorporated in Israel with limited liability)

(Stock Code: 1696)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2023:

- Revenue was US$171.6 million, decreased by 1.7% as compared to the six months ended June 30, 2022.
- Gross profit of the Group amounted to US$105.3 million, increased by 5.7% as compared to the six months ended June 30, 2022.
- Profit for the period attributable to owners of the parent was US$18.9 million, decreased by 8.4% as compared to the six months ended June 30, 2022.
- The gross profit margin increased by 4.3% to 61.4% for the Reporting Period from 57.1% for the corresponding period in 2022.
- Corresponding to the Company's strategy of expanding our direct offices global reach, revenue portion derived from direct sales amounted to 72.1% of total revenue during the period compared to 64.8% for the corresponding period in 2022.

INTERIM DIVIDEND

- The Board resolved not to declare any interim dividend for the six months ended June 30, 2023.

RESULTS HIGHLIGHTS

The board of directors (the "**Board**") of Sisram Medical Ltd (the "**Company**" or "**Sisram**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**") for the six months ended June 30, 2023 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2022. The results have been prepared in accordance with International Financial Reporting Standards (the "**IFRSs**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended June 30, 2023

		For the six months ended June 30	
		2023	**2022**
		(Unaudited)	*(Unaudited)*
	Notes	*US$'000*	*US$'000*
REVENUE	4	171,621	174,504
Cost of sales		(66,323)	(74,890)
Gross profit		105,298	99,614
Other income and gains		1,003	584
Selling and distribution expenses		(59,855)	(47,418)
Administrative expenses		(14,028)	(13,891)
Research and development expenses		(9,159)	(8,329)
Other expenses		(1,290)	(6,385)
Finance costs		(1,030)	(1,029)
Share of profits and losses of associates		(207)	(74)
PROFIT BEFORE TAX	5	20,732	23,072
Income tax expense	6	(1,949)	(2,545)
PROFIT FOR THE PERIOD		18,783	20,527
Attributable to:			
Owners of the parent		18,899	20,621
Non-controlling interests		(116)	(94)
		18,783	20,527
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
–For profit for the period (US cents)		4.04	4.42
Diluted			
–For profit for the period (US cents)		4.03	4.42

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2023

	For the six months ended June 30	
	2023	**2022**
	(Unaudited)	*(Unaudited)*
	US$'000	*US$'000*
PROFIT FOR THE PERIOD	18,783	20,527
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(774)	(1,023)
Reclassification adjustments for gain included in the consolidated statement of profit or loss	663	–
	(111)	(1,023)
Exchange differences:		
Exchange differences on translation of foreign operations	126	(4,641)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	15	(5,664)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial reserve relating to a defined benefit plan	59	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	59	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	74	(5,664)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	18,857	14,863
Attributable to:		
Owners of the parent	18,973	14,957
Non-controlling interests	(116)	(94)
	18,857	14,863

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2023

	Notes	June 30 2023 *(Unaudited)* *US$'000*	December 31 2022 *(Audited)* *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	9	19,184	16,847
Right-of-use assets		38,409	35,355
Goodwill		126,915	111,183
Other intangible assets		138,750	45,288
Investments in associates		6,385	6,176
Deferred tax assets		7,417	7,246
Trade receivables	10	17,672	13,047
Financial assets at fair value through profit and loss		124	–
Other non-current assets		238	69,894
Total non-current assets		355,094	305,036
CURRENT ASSETS			
Inventories		84,091	74,720
Trade receivables	10	83,846	80,378
Prepayments, other receivables and other assets		19,129	13,919
Cash and bank balances		62,579	81,548
Total current assets		249,645	250,565
CURRENT LIABILITIES			
Contract liabilities		12,677	14,375
Trade payables	11	19,641	13,335
Other payables and accruals		49,000	41,377
Derivative financial instruments		863	586
Interest-bearing bank and other borrowings		4,780	5,743
Lease liabilities		2,770	2,880
Tax payables		2,822	1,829
Total current liabilities		92,553	80,125

	Notes	June 30 2023 (Unaudited) US$'000	December 31 2022 (Audited) US$'000
NET CURRENT ASSETS		157,092	170,440
TOTAL ASSETS LESS CURRENT LIABILITIES		512,186	475,476
NON-CURRENT LIABILITIES			
Contract liabilities		634	592
Lease liabilities		34,787	32,718
Deferred tax liabilities		14,596	8,646
Other long-term liabilities		6,310	1,295
Total non-current liabilities		56,327	43,251
NET ASSETS		455,859	432,225
EQUITY			
Equity attributable to owners of the parent			
Share capital		1,331	1,331
Reserves		438,829	429,541
Non-controlling interests		15,699	1,353
Total equity		455,859	432,225

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at December 31, 2022.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following new and revised IFRSs for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since January 1, 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

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

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after January 1, 2023, but are not required to disclose such information for any interim periods ending on or before December 31, 2023. The Group has applied the amendments retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

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 and minimally invasive treatment devices, non-EBD devices and cosmeceuticals. Therefore, no analysis by operating segment is presented.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30, 2023 US$'000 (Unaudited)	For the six months ended June 30, 2022 US$'000 (Unaudited)
Revenue from contracts with customers		
Sale of goods	157,587	164,883
Services provided	14,034	9,621
	171,621	174,504

	For the six months ended June 30, 2023 US$'000 (Unaudited)	For the six months ended June 30, 2022 US$'000 (Unaudited)
Types of goods or services		
Sale of goods	157,587	164,883
Provision of services	14,034	9,621
Total revenue from contracts with customers	171,621	174,504
Geographical information		
Europe	21,851	30,537
North America	79,502	69,905
Asia Pacific	48,447	47,928
Latin America	7,928	8,385
Middle East and Africa	13,893	17,749
Total revenue from contracts with customers	171,621	174,504

	For the six months ended June 30, 2023 US$'000 (Unaudited)	For the six months ended June 30, 2022 US$'000 (Unaudited)
Timing of revenue recognition		
Goods transferred at a point in time	157,587	164,883
Services transferred over time	14,034	9,621
Total revenue from contracts with customers	171,621	174,504

5. PROFIT BEFORE TAX

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

	For the six months ended June 30, 2023	2022
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	43,406	48,342
Cost of services and others	22,917	26,548
	66,323	74,890
Research and development costs:		
Current year expenditure	9,159	8,329
Depreciation of property, plant and equipment	1,328	1,174
Depreciation of right-of-use assets	1,959	1,883
Amortization of other intangible assets	2,638	3,120
Provision for impairment of inventories	122	2,725
Provision for impairment of trade receivables	380	778
Share of profits and losses of associates	207	74
Foreign exchange differences, net	791	3,059

6. INCOME TAX

The Israeli corporate tax rates applicable to the Company was 23% for the Reporting Period (2022: 23%). Each entity in the Group is taxable based on its standalone results as measured by the local tax system.

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

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

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

Applicable benefits under the new regime include:

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

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

The following applies to SPTE:

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

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

As of June 30, 2023, Alma enjoyed a preferential effective tax rate of 6% for being a SPTE for the period ended June 30, 2023 (2022: 6%).

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

The subsidiary released their Clawback Profits and chose to pay reduced corporate income tax. The Company has released all their Clawback Profits in 2022. No additional tax provision was made for the six months ended June 30, 2023 (US$0.5 million tax provision was made for the six months ended June 30, 2022) in accordance with the Temporary Provisions.

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

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

Rate reduction

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

The income of Alma Lasers GmbH, a subsidiary incorporated in Germany, is taxed based upon the tax law in Germany, the country of residence. Income was taxed at a flat corporate income tax rate including solidarity surcharge of 15.83% during the Reporting Period and was also subject to additional trade income tax of 16.35% 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 24% during the Reporting Period and was also subject to additional trade income taxes as applicable.

The income of Alma Lasers Suisse GmbH, a subsidiary incorporated in Switzerland, is taxed based upon the tax law in Switzerland, the country of residence. Income was taxed at a flat corporate income tax rate of 12.7% during the Reporting Period.

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 25% and a 4% surcharge bringing it to 26% during the Reporting Period (which was not a flat rate but included deductions/exemptions/rebates as per the Income Tax Act 1961) and the Company was also subject to withholding taxes as per the provisions of the said Income Tax Act 1961.

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

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

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

The income of Alma Lasers UAE Ltd, a subsidiary incorporated in UAE, is taxed at the rate of 0%.

The income of Alma Korea Limited, a subsidiary incorporated in Korea, is taxed at the rate of 22%.

The income of Alma Lasers UK Ltd, a subsidiary incorporated in UK, is taxed at the rates of 19%-25% (changing according to the profit range).

	For the six months ended June 30, 2023	2022
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Current	2,621	3,981
Deferred	(672)	(1,436)
Total tax charge for the period	1,949	2,545

7. DIVIDENDS

The board of directors resolved not to declare any interim dividend for the Reporting Period (six months ended 30 June 2022: Nil).

On March 21, 2023, the board of directors resolved to declare a final dividend of HK$0.173 (inclusive of tax) per share for the year ended December 31, 2022. No dividends were paid during the period ended June 30, 2023 (six months ended June 30, 2022: Nil).

8. 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 six months ended June 30, 2023 and 2022 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 467,292,609 (six months ended June 30, 2022: 466,155,600) in issue during the period.

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

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

	For the six months ended June 30, 2023	2022
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	18,899	20,621

	Number of shares For the six months ended June 30, 2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	467,292,609	466,155,600
Effect of dilution – weighted average number of ordinary shares:		
– 2021 restricted share units scheme	1,893,210	545,805
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	469,185,819	466,701,405

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2023, the Group acquired assets at a cost of US$3,675,000 (six months ended June 30, 2022: US$1,628,000).

During the six months ended June 30, 2023, depreciation for property, plant and equipment was US$1,328,000 (six months ended June 30, 2022: US$1,174,000).

During the six months ended June 30, 2023, there is no gain/loss from disposal of property, plant and equipment (six months ended June 30, 2022: a gain of US$59,000).

10. TRADE RECEIVABLES

	June 30, 2023 *US$'000* *(Unaudited)*	**December 31, 2022** *US$'000* *(Audited)*
Trade receivables	103,397	95,633
Current	85,193	81,856
Non-current	18,204	13,777
Impairment	(1,879)	(2,208)
Current	(1,347)	(1,478)
Non-current	(532)	(730)
	101,518	93,425

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the due date and net of loss allowance, is as follows:

	June 30, 2023 *US$'000* *(Unaudited)*	**December 31, 2022** *US$'000* *(Audited)*
Within 1 month	62,050	49,586
1 to 2 months	4,951	6,162
2 to 3 months	3,364	5,111
Over 3 months	31,153	32,566
	101,518	93,425

11. TRADE PAYABLES

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

	June 30, 2023 *US$'000* *(Unaudited)*	December 31, 2022 *US$'000* *(Audited)*
Within 1 month	9,903	8,524
1 to 2 months	5,364	3,642
2 to 3 months	3,209	93
Over 3 months	1,165	1,076
	19,641	13,335

12. COMMITMENTS

(a) Capital commitments

The Group did not have any significant capital commitments as at the end of the reporting period.

(b) Other business agreement

On October 26, 2022, and December 15, 2022, respectively, Sisram Medical (Tianjin) Limited ("**Sisram Tianjin**"), a subsidiary of the Group, entered into a sublicense agreement and its amendments with Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("**Fosun Industrial**"), a subsidiary of Fosun Pharma, pursuant to which Sisram Tianjin agreed to sublicense from Fosun Industrial the relevant know-hows and patents of Daxxify, so as to, among other things, import, use, sell or commercialize the Daxxify in Mainland China, Hong Kong and Macau Special Administrative Regions. Daxxify is a research-based product and the first neuromodulator with long-acting duration. It is a new generation neuromodulator in development for the treatment of aesthetic indications and a number of potential therapeutic conditions. Revance Therapeutics, Inc. ("**Revance**"), the head licensor, has successfully obtained the Biologics License Application ("**BLA**") for the aesthetic indications of Daxxify from The Food and Drug Administration of the United States of America ("**FDA**") on September 8, 2022. Pursuant to the sublicense agreement, Sisram Tianjin is required to make upfront payment amounting to US$52.25 million, one-off regulatory milestone payment amounting to US$22.0 million, one-off sales milestone payments up to US$172.5 million and royalty payments to Fosun Industrial. In December 2022, upfront payment of US$52.25 million and one-off regulatory milestone payments of US$7.0 million has been paid to Fosun Industrial, as the licensed product obtained approval of BLA for the aesthetic indications from FDA. The remaining one-off regulatory milestone payments of US$15.0 million, will be paid upon the research and development of the licensed product obtaining approval of BLA for the aesthetic indications from National Medical Products Administration of the PRC ("**NMPA**"). These commitments are not recorded in the consolidated financial statements because the achievement and timing of these milestones are not fixed and determinable. When the achievement of these milestones or sales has been reached, the corresponding amounts are recognized in the consolidated financial statements.

13. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

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

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

With a vision to create an entire-ecosystem for wellness for its partners and consumers, Sisram continues to increase and expand its offering, covering wide range of wellness indications, such as hair removal and hair growth, skin rejuvenation, acne and acne scars, body & face contouring, pigmentation & skin resurfacing, fat grafting, dermal facial fillers, skin tissue remodelling injectables, personal care and aesthetic dentistry.

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

Sisram's Group includes leading global brands such as Alma Lasers Ltd. ("**Alma**") – a world-leader and innovator in energy-based medical aesthetics solutions, Shanghai Foshion Medical System Co., Ltd. – a leading Chinese distributor of global dental equipment brands, also operating a global standard Dental CAD/CAM center in mainland China, Copulla – a new, innovative digital dentistry service and LMNT – groundbreaking home-use brand, which brings professional-grade technology into consumers' homes.

Through Alma, the Company's core subsidiary, the Company also established its presence in the injectables sector with a distribution agreement from IBSA Derma, a Swiss cosmeceutical company and a leading subsidiary of IBSA Pharma Corporation, for the distribution of its products in APAC markets as well as exclusive distribution rights in Israel. In addition, the Company has entered into an agreement with Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. to obtain the exclusive right to use, import, distribute and commercialize Daxxify in mainland China, Hong Kong SAR and Macao SAR.

2. BUSINESS REVIEW OF FIRST HALF OF 2023

In the first half of 2023, Sisram achieved a total revenue of US$171.6 million, representing a decrease of 1.7% compared to the corresponding period in 2022. The decrease is primarily attributable to negative impacts of macro-economic environment on European market performance, exacerbated by the Russia – Ukraine conflict. There was also a temporary negative impact on revenue growth in some regions as Sisram transitioned from a distribution model to a direct sale model. For example, the establishment of new direct operation offices in the UK and Dubai resulted in temporary year-on-year revenue reductions during the transition period, while in the China region, a temporary deceleration in China during the closing period of the acquisition was observed as a result of the transition following the acquisition of PhotonMed, the leading energy-based device distributor and strategic partner for the Company spanning over two decades, coupled with the establishment of new direct operations in mainland China. The above impacts offset revenue growth in some of the mature direct marketing geographies, such as North America, Korea, Australia, and Hong Kong SAR. The direct sales achieved a revenue of US$118.5 million (excluding Dental) for the Reporting Period, representing an increase of 12.1% when compared to the corresponding period in 2022. Profit for the period attributable to owners of the parent was US$18.9 million, which represent 11.0% of revenue for the Reporting Period. Such percentage decreased by 0.8% as compared to that for the corresponding period in 2022.

During the Reporting Period, gross profit of the Group amounted to US$105.3 million compared to US$99.6 million for the corresponding period in 2022, representing an increase of 5.7%. The gross profit margin increased by 4.3% to 61.4% for the Reporting Period from 57.1% for the corresponding period in 2022. This improvement is attributed to the higher revenue portion from direct sale and a more profitable product mix. The establishment of direct operation offices in strategic territories has enabled the Company to shorten the supply chain, increase the average selling price, gain a higher brand visibility and to strengthen the relationships with its partners as well as target clientele. With the implementation of direct sale strategy, revenue derived from direct sales amounted to 72.1% of total revenue versus 27.9% of the total revenue attributed to sales via distributors.

During the Reporting Period, the Group achieved profit before tax of US$20.7 million and recorded net profit for the period of US$18.8 million, representing a decrease of 10.1% and 8.5% respectively, when compared to the corresponding period in 2022. The decrease in profit before tax and profit for the period was mainly due to growth in selling and distribution expenses attributed to higher expenses from direct sale and the opening of new direct operation offices, continued investment and incubation of business lines and exceptional expense related to new brand ambassador project to enhance brand awareness. This initiative aligns seamlessly with the Company's strategy to foster bottom-up (end users drive Business end) demand, effectively empowering our partners to champion and promote Company's solutions more efficiently.

During the Reporting Period, the Group achieved an adjusted net profit of US$20.7 million representing a decrease of 17.1% when compared with the corresponding period of 2022. The adjusted net profit margin for the Reporting Period was 12.0% compared to 14.3% for the corresponding period in 2022. The decrease in adjusted net profit for the period was mainly due to decrease in net profit.

The Company has consistently maintained a strong and stable position across all its businesses. The Company presents sufficient funds to meet its future business needs and sustain its operational, supporting a steady and high-paced growth.

R&D

- R&D expenses increased by 10% to US$9.2 million, compared to US$8.3 million in the corresponding period in 2022 as the Company continued to expand its technological core competence in energy based devices.

- During the Reporting Period, the Company launched two products into new territories and achieved market introduction readiness for one new product:

  - Soprano Titanium™ – Alma's flagship equipment platform for hair removal was introduced to North America market following regulatory FDA clearance.

  - Alma Opus was introduced to international markets outside US. Alma Opus is a non-invasive RF equipment platform for skin resurfacing and face tightening, featuring fractional RF technology and the unique Opus plasma applicator.

  - Alma Veil™ has achieved market introduction readiness, to be launched in North America in H2 2023. The workstation effectively targets a wide range of common dermatological and vascular conditions including vascular lesions with 532 nm, deeper vascular lesions with 1,064 nm, and skin quality concerns without downtime using MicroPulse™, seamlessly integrated into a single handpiece.

- During the Reporting Period, the Company achieved FDA regulatory clearance for two complementary accessories for Alma's BeautiFill™ system intended for laser assisted liposuction and skin tightening:

    - o LipoSense™ – a smart fibre and adipose tissue delivery system intended to increase the safety of procedure by real-time measurement of the treated area temperature.

    - o CellFie™ – a complementary kit intended for the closed-loop processing of microfragment adipose tissue for re-injection in medical procedures involving the harvesting, concentrating, and transferring of autologous adipose tissue harvested with a lipoplasty system.

- Also, during the Reporting Period, the Company's incubating business line – Copulla successfully completed a commercial pilot with leading KOL's in Israel. This sets a solid ground for transition to commercial phase and scale up of procedures volume.

- Corporate employees R&D specialists increased by 26.6% comparing to the corresponding period in 2022.

Sales and Marketing

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

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

- Sisram has established a new office in Dubai, and significantly advanced its UK subsidiary (established in H2 2022), in harmony with its growing direct sales strategy.

- The Company has formulated a strong, solid, and consistent unique value proposition, focusing on the relevance, value, and differentiation of its four business lines.

- A two-year collaboration with a new global brand ambassador has been formulated, accompanied by the launch of a multiplatform campaign featuring the iconic figure. This campaign showcases Sisram's brand values to end-consumers, with the aim of fostering bottom-up (end users drive Business end) demand and enabling partners to effectively promote and sell the Company's solutions.

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

- Embracing a consumer-centric approach, the Company has invested in influencer marketing through both micro and macro influencers. This initiative aims to enhance brand awareness and build trust among B2C audiences.

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

- Focusing on enhancing business relationships through participation in leading international industry congresses worldwide, such as IMCAS, & WCD tradeshows.

- Launching of the first Sisram Wellness Center. The center is a unique physical center located in downtown Chicago, enabling the Company to interact daily with professionals and patients, better understand their pain points, and help professionals integrate quickly and efficiently into the industry.

- Continued development of social media strategies, focusing on market education, brand awareness, and business growth.

- Developing and executing B2C initiatives to support the launch of LMNT and facilitate penetration into the APAC market.

Mergers & Acquisition ("M&A")

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

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

The Acquisition strengthens the Company's direct-to-consumer strategy and will improve the group's revenue, product positioning and brand awareness in Asia Pacific market.

Business Development

New Direct Business Channel in Dubai

During the Reporting Period, the Company has established a new direct business channel in Dubai, the United Arab Emirates (the "**UAE**"). The new direct business channel will serve as the trading hub in the Middle East market and will start with the business of energy-based devices and gradually expand into the Company's wellness ecosystem business units such as personal care, injectables and aesthetic dentistry. With the successful launch of the new direct business channel in Dubai, the Company expects to further enhance its direct sales globally. The Company believes that the establishment of new direct business channel in Dubai will promote the Company's full portfolio as wellbeing ecosystem and enhance overall UAE customers' experiences and promote product competitiveness in the UAE, which would maximise the return to its shareholders and benefit the Company and its shareholders as a whole.

For details, please refer to the Company's announcement dated February 21, 2023.

First Wellness Center in Chicago

On June 9, 2023, the Company opened its first wellness center – Sisram Wellness Center (the "**Center**") in downtown Chicago. The Center offers a comprehensive range of advanced medical aesthetic services in skin health, beauty, and wellness. The Company will also integrate trusted brands such as Alma® within the framework of the Center. With a team of highly skilled professionals, licensed practitioners, and skin health specialists, the Center is committed to providing exceptional care tailored to everyone's unique needs and concerns.

For details, please refer to the Company's announcement dated June 14, 2023.

The application of Daxxify got accepted by National Medical Products Administration

The Company entered into sublicense-related agreements in 2022 with Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. to obtain the exclusive right to import and commercialize Daxxify in mainland China, Hong Kong SAR and Macao SAR. In the Reporting Period, the drug registration application which is indicated for the temporary improvement in the appearance of moderate to severe glabellar lines associated with corrugator and/or procerus muscle activity in adult patients, was accepted by the National Medical Products Administration.

For details, please refer to the Company's announcement dated April 11, 2023.

Operations

The Group is still experiencing global supply chain challenges, such as long lead times for electronic components and material price fluctuations. To avoid shortages and meet the growing global demand, the Group is developing a strategic inventory management plan and a strategic raw material purchasing plan a year ahead.

Additionally, the Group has taken steps to improve production efficiency by implementing new lean production processes and has utilized a new import methodology, resulting in a decrease in manufacturing overhead expenses.

Information Systems and Digital

Over the recent years, Sisram continuously invested significant resources in standardization, streamlining and digitalization of company's processes by implementation of state-of-the-art business applications. In the Reporting Period, the Company has rolled out a global CRM system, integrated with existing applications suite, unifying the sales processes across the Company's subsidiaries.

3. OUTLOOK FOR SECOND HALF OF 2023

In the face of the prevailing uncertainties in the global macroeconomic landscape, the Company considers that achieving the revenue growth target set earlier this year for 2023 presents a challenge. The Company however remains dedicated to achieving strong growth for the year.

In the second half of 2023, Sisram will continue to implement our strategy of strengthening our direct sale operation and opening new direct offices in strategic markets. We will also continue expanding our offerings through Sisram's unique wellness ecosystem, providing our partners with effective and trustworthy solutions for their beauty-seeker needs. This unique offering aims to provide unprecedented solutions for challenging aesthetic conditions. Additionally, we will continue to establish a robust interactive software infrastructure to enhance customer interactions, strengthen partnerships with valuable partners, and empower customer-facing teams. Furthermore, we will enhance brand awareness among end-consumers to bolster the demand for the Company's solutions and brand recognition.

Throughout 2023, the Group's strategic endeavours are strategically focused on cultivating the North American and Chinese markets, while also exploring growth opportunities in Europe and the rest of Asia Pacific regions.

North American Market: In H2 2023, we are set to execute expansion efforts within our North American office, focusing on the following key areas:

- Strengthening Revenue-Driven Products: We are committed to enhancing the market impact of our recently launched high revenue-driven products. Our goal is to amplify their influence and solidify their presence in the market.

- Advancing Sexual Wellness and Men's Wellness: A strategic thrust involves expanding our market influence in the realms of sexual wellness and men's wellness. This entails innovative concepts and a comprehensive approach to cater to evolving consumer needs.

- Promoting hair restoration solution based on our new and innovative TED™ platform and hair-care formula formulated by world-renowned pharmaceutical research lab that synergistically support optimal hair and scalp health and follicular health.

- Empowering Post-Sales Team: Our efforts extend to empowering our post-sales team to further bolster sales activities. Through enhanced training and support, we aim to optimize customer engagement and satisfaction.

- Pioneering New Product Launches: Anticipate the launch of pioneering products that include Alma Veil™, as well as disposable solutions to complement BeautiFill™ products such as LipoSense™ and CellFie™. These innovations are poised to reshape the landscape of aesthetic solutions.

- Promoting Wellness Everywhere: We are actively driving the promotion of personal care and the Sisram Wellness Centre, pivotal components of our holistic wellness ecosystem. This effort enables the Company to interact daily with professionals and patients, receive ongoing feedback and insights about their experiences, in order to customize the journey according to their wishes and desires.

Chinese Market:

- Seamless Integration and Market Penetration in China: Our primary focus lies in seamlessly integrating and optimizing our direct sales channels in China, with a strong emphasis on bolstering market penetration. This strategic move aims to elevate Sisram's customer engagement and fortify our position as market leader. At the same time, the revenue share in the Asia-Pacific region will be further expanded.

- Strategic Build-Up of Injectable Business: We remain steadfast in establishing a robust commercial team dedicated to the injectable business.

- Vigilant NMPA Application Monitoring: We are actively engaged in closely monitoring the NMPA application process for energy-based devices, Daxxify, and IBSA products in the Chinese market. Our vigilant approach underscores our commitment to adhering to regulatory processes and timelines.

- LMNT Personal Care Brand Awareness: A key priority is bolstering the brand recognition of our LMNT personal care line and establishing it as a vital element to amplify the impact on patients treated through our medical grade solutions. This strategic move holds the potential to foster cross-sales within the broader Sisram offering.

- Crafting tailored solutions for the Asian market, effectively meeting local market needs while leveraging the power of our global brand awareness in the region.

4. FINANCIAL REVIEW

During the Reporting Period, the unaudited interim results and the summary of financial results are as follows:

Revenue

During the Reporting Period, revenue of the Group decreased from US$174.5 million to US$171.6 million, representing a decrease of 1.7% when compared to the corresponding period in 2022.

Revenue by main product segments

The Group generates revenue from the following revenue streams: (i) sale of goods; and (ii) services and others.

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

	Six months ended June 30,				
	2023		**2022**		**YOY %**
Sale of Goods:	*(US$ in thousands, except for percentages)*				
Medical Aesthetics	147,380	85.9%	153,801	88.1%	-4.2%
Dental	5,320	3.1%	7,311	4.2%	-27.2%
Injectables	4,887	2.8%	3,771	2.2%	29.6%
Subtotal	157,587	91.8%	164,883	94.5%	-4.4%
Services and Others	14,034	8.2%	9,621	5.5%	45.9%
Total	**171,621**	**100%**	**174,504**	**100.0%**	**-1.7%**

We have derived a substantial majority of our revenue from our Medical Aesthetics product line, representing 85.9% of our total revenue for the Reporting Period. Revenue from the sale of our Medical Aesthetics line was US$147.4 million for the six months ended June 30, 2023, representing a decrease of 4.2% in comparison with a revenue of US$153.8 million in the corresponding period in 2022. The majority of revenue derived from our leading platforms such as “Soprano”, “Harmony”, “Opus” and “Accent”.

Revenue from our Dental business line decreased to US$5.3 million compared to US$7.3 million.

Revenue from Injectable line amounted to US$4.9 million, representing an increase of 29.6% in comparison with the corresponding period in 2022.

The revenue from service and others amounted to US$14.0 million, representing an increase of 45.9% in comparison with the corresponding period in 2022 mainly related to the increase in post-sales marketing revenue.

Revenue by geographic segments

The following table sets forth our revenue by geographic segments for the six months ended in the years indicated (measured by the location of our direct sales customers and our distributors):

	Six months ended June 30				
	2023		**2022**		**YOY %**
	(US$ in thousands, except for percentages)				
Europe	21,851	12.8%	30,537	17.5%	-28.4%
North America	79,502	46.3%	69,905	40.0%	13.7%
APAC	48,447	28.2%	47,928	27.5%	1.1%
Middle East and Africa	13,893	8.1%	17,749	10.2%	-21.7%
Latin America	7,928	4.6%	8,385	4.8%	-5.5%
Total	**171,621**	**100.0%**	**174,504**	**100.0%**	**-1.7%**

During the Reporting Period, North America, APAC, and Europe 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 and satisfy strong regional demand, as well as help the Company to balance and minimise risks from regional economics downfalls.

The revenue derived from North America accounted for US$79.5 million during the Reporting Period, an increase of 13.7% from US$69.9 million for the corresponding period in 2022. The increase is attributed to strengthening position of Alma Ted™, Soprano and Harmony equipment platforms.

The revenue derived from APAC increased by 1.1% to US$48.4 million in the Reporting Period from US$47.9 million for the corresponding period in 2022. The increase is mainly attributed to increase revenue in the direct sale operation offices in Korea, Australia and Hong Kong, partially offset by temporary slowdown in China related to the transition period following acquisition of our leading distributor.

The revenue derived from Europe decreased by 28.4% to US$21.9 million in the Reporting Period from US$30.5 million for the corresponding period in 2022. The decrease is mainly attributed to the macro-economic environment affecting European market performance, alongside the conflict between Russia and Ukraine and transition period for achievement from a distribution model to a direct sale operation in UK.

The revenue derived from Middle East and Africa decreased by 21.7% to US$13.9 million in the Reporting Period from US$17.7 million for the corresponding period in 2022. The decrease is mainly attributed to negative impact of exchange rate differences and temporary slowdown in Dubai related to transition period to a direct operation office.

The revenue derived from Latin America decreased by US$0.5 million to US$7.9 million in the Reporting Period from US$8.4 million for the corresponding period in 2022.

During the Reporting Period, the cost of sales primarily comprised of 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 11.4% to US$66.3 million from US$74.9 million for the corresponding period in 2022, which is mainly due to decrease in our distributor revenue portion.

Gross profit and gross profit margin

During the Reporting Period, gross profit of the Group increased by 5.7% to US$105.3 million from US$99.6 million for the corresponding period in 2022 for the reasons set out in Revenue and Cost of sales above.

The gross profit margin increased by 4.3% to 61.4% for the Reporting Period from 57.1% for the corresponding period in 2022. This improvement is primarily attributed to the higher revenue portion from direct sale operation compared to sale via distributors and a more profitable product mix.

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 activities expenses such as academies, brand ambassador, participation in tradeshows and digital activities.

During the Reporting Period, selling and distribution expenses of the Group increased by 26.2% to US$59.9 million from US$47.4 million for the corresponding period in 2022, the increase is resulted from (i) increase in sales force employees to strengthen sales efforts; (ii) empowering the global brand through investments in brand ambassadors project, academies, and workshops, (iii) travelling expenses; (iv) enhanced digital activities; (v) expenses related to the establishment of new direct operation offices; (vi) investment in business development for LMNT and Copulla business units.

Administrative expenses

Administrative expenses primarily consist of: (i) amortization of intangible assets related to M&A; (ii) remuneration paid to administration (Finance/HR/IT) 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 1.0% to US$14.0 million from US$13.9 million for the corresponding period in 2022.

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 expenses increased by 10% to US$9.2 million from US$8.3 million for the corresponding period in 2022, as the Company continued to expand its technological core competence and invested R&D resources in our incubated personal care brand-LMNT.

Finance costs

Finance costs are comprised mainly of (i) interest on bank loans and (ii) interest on lease liabilities. Finance costs are US$1.0 million as was in the corresponding period in 2022.

Income tax expense

The Israeli corporate tax rates are both 23% in 2022 and 2023. Each entity in the Group is taxable based on its standalone results as measured by the local tax system.

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.

During the Reporting Period, income tax expense decreased to US$1.9 million, representing a decrease of 23.4% from US$2.5 million for the corresponding period in 2022. This was primarily attributable to lower tax rate in Israel companies, due to special taxation terms from January 1, 2017.

Profit for the period

As a result of the foregoing, during the Reporting Period, our profit for the period decreased by 8.5% to US$18.8 million from US$20.5 million for the corresponding period in 2022. The net profit margin of the Group for the six months ended in June 30, 2023 and 2022 were 10.9% and 11.8%, respectively.

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 intangible assets related to M&A; (ii) deferred tax liability arising from other intangible assets, which primarily relates to acquisitions; (iii) RSU Expenses; (iv) previous years taxes and One-off VAT adjustment. The Group calculates adjusted net profit margin by dividing adjusted net profit by revenue.

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

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

	Six months ended June 30,		
	2023	**2022**	**YOY%**
	US$'000	*US$'000*	
PROFIT FOR THE PERIOD	18,783	20,527	-8.50%
Adjusted for:			
Amortization of other intangible assets arising from the Alma acquisitions	2,150	2,305	-6.7%
Amortization of other intangible assets arising from the Nova acquisitions	239	239	0.0%
Amortization of other intangible assets arising from the Foshion acquisition	213	234	-9.0%
One-off VAT adjustment	(1,010)	–	100%
Deduct: deferred tax arising from other intangible assets	(529)	(534)	-0.9%
Previous years taxes	–	547	-100%
RSU Expenses	825	1,626	-49.3%
Adjusted net profit	20,671	24,944	-17.1%

5. DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

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.

Gearing ratio

As of June 30, 2023 and June 30, 2022, the Group's cash and cash equivalents exceeded the total debt. As such, no gearing ratio was presented.

Interest coverage

During the Reporting Period, the interest coverage, which is calculated by Earnings Before Interest and Taxes ("**EBIT**") divided by financial costs was 21.1 times as compared with 23.4 times for the corresponding period in 2022. The interest coverage decreased mainly because the Group's EBIT during the Reporting Period decreased by 9.7% to US$21.8 million from US$24.1 million for the corresponding period in 2022.

Available facilities

As of June 30, 2023, Sisram did not have any unutilized banking facilities. Sisram is mainly financing its operations through cash generated from operating activities.

Interest rate

As of June 30, 2023, total interest-bearing bank and other borrowings at a fixed interest rate amounted to US$4.8 million (As at December 31, 2022: US$5.7 million).

Maturity structure of outstanding debts

The following tables sets forth the maturity structure of outstanding debts as at June 30, 2023 and December 31, 2022.

	June 30, 2023 *US$'000*			**December 31, 2022** *US$'000*		
	Effective interest rate *(%)*	*Maturity*	*US$'000*	**Effective interest rate** *(%)*	*Maturity*	*US$'000*
Current						
Other borrowings*	3.7-4.15	2023-2024	4,780	3.7-4.15	2023	5,743

As of June 30, 2023, included in other borrowings are loan from the Group's related parties amounting to US$4.8 million. (As at December 31,2022: US$5.0 million).

	June 30, 2023 *US$ '000*	**December 31, 2022** *US$ '000*
Within 1 year	4,780	5,743

The maturity of interest-bearing bank and other borrowings is within one year.

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 the Reporting Period and the corresponding period of 2022.

	Six months ended June 30,		
	2023	**2022**	**YOY%**
	US$'000	*US$'000*	
Net cash flows generated from operating activities	8,008	10,688	-25.1%
Net cash flows (used in)/generated from investing activities	(24,227)	7,946	-404.9%
Net cash flows used in financing activities	(4,954)	(3,357)	47.6%
Net (decrease)/increase in cash and cash equivalents	(21,173)	15,277	-238.6%
Cash and cash equivalents at the beginning of the period	74,793	124,920	-40.1%
Effect of foreign exchange rate changes, net	(1,719)	101	-1,802.0%
Cash and cash equivalents at the end of the period	51,901	140,298	-63.0%
Cash and cash equivalents			
Pledged bank balances	137	131	4.6%
Term deposits with original maturity of more than three months	10,541	8,286	27.2%
Cash and bank balance at the end of the period	62,579	148,715	-57.9%

Net cash flows generated from operating activities

During the Reporting Period, the net cash flows provided by operating activities were US$8.0 million, which was primarily attributable to (i) the profit before tax of US$20.7 million; (ii) total adjustments for profit or loss items of US$9.8 million; and (iii) working capital adjustments of US$22.5 million.

Net cash flows used in investing activities

During the Reporting Period, the net cash flows used in investing activities were US$24.2 million, which was primarily attributable to (i) maturity of short term bank deposits with the amount of US$6.3 million, (ii) investments in a subsidiary in the amount of US$27.2 million; and (iii) US$3.3 million in purchase of plant and equipment.

Net cash flows used in financing activities

During the Reporting Period, the net cash flows used in financing activities was US$5.0 million, which was primarily attributable to (i) repayments on loan and interest of US$3.1 million; (ii) payment of lease payments of US$2.3 million; (iii) borrowing new loans of US$1.9 million; and (iv) payment to settlement of foreign currency forward contracts of US$1.5 million.

7. CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

During the Reporting Period, capital expenditures of the Group amounted to US$3.3 million, which mainly consisted of leasehold improvements.

As at June 30, 2023, the Group did not have any significant capital commitments.

8. CONTINGENT LIABILITIES

As at June 30, 2023, the Group did not have any contingent liabilities.

9. MATERIAL ACQUISITION AND DISPOSAL

Save as the Acquisition disclosed under the section "2. Business Review of First Half of 2023 – Mergers & Acquisition" above, during the Reporting Period, the Group did not conduct any other material acquisition or disposal.

10. 2021 RSU SCHEME

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

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

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

On November 30, 2021, the shareholders of the Company granted a specific mandate to the directors of the Company to issue and allot up to 22,107,780 shares upon vesting of the RSUs to be granted under the 2021 RSU Scheme ("**Scheme Mandate**"). As at January 1, 2023 and June 30, 2023, 17,488,230 RSUs were available for grant under the Scheme Mandate, respectively. The number of shares that may be issued in respect of the RSUs granted under the 2021 RSU Scheme during the Reporting Period divided by the weighted average number of shares in issue for the Reporting Period is 0.99%.

The aggregate fair value at the grant day of the free shares granted during the six months ended June 30, 2023 amounted to approximately US$4,993,597, all of which will be charged to profit or loss and the capital reserve as costs of share-based compensation from the date of grant to the date on which the unlocking conditions are fulfilled. The Group recognized an expense of US$825,000 for the six months ended June 30, 2023 (for the six months ended June 30, 2022: US$1,626,000).

At June 30, 2023, the 3,206,084 ordinary shares granted in the form of share units have not been registered as share capital of the Company yet and remained unvested, which represented approximately 0.69% of the Company's shares in issue as at June 30, 2023.

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

Save for those disclosed in this announcement, there were no other significant investments held as at June 30, 2023. The Group did not have other plans for material investments and capital assets.

12. RISK MANAGEMENT

The operation and development of the Group are not exposed to any material risk factors, but they 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 analysing the currency balance sheet and trends in the foreign exchange markets, the Company has entered into forward contracts from time to time to mitigate the adverse effects of exchange rate fluctuations.

(b) Interest rate exposure

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

13. EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth the number of employees by function as at June 30, 2023:

Function	Number of Employees
Operations	295
R&D	100
Sales & Marketing	552
General and Administration	155
Total	**1,102**

Employees' headcount as at the end of Reporting Period increased by 29.5% as compared to December 31, 2022 due to additional headcount of recently acquired distributor – PhotonMed International Limited, expansion of our sales force employees and recruitment of positions to our new direct offices.

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.

14. USE OF PROCEEDS FROM THE PLACING

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

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

The Placing had been completed on July 27, 2021 and the net proceeds (after deducting all applicable costs and expenses, including commissions and legal fees) raised from the Placing were approximately HK$615.47 million. Such net proceeds were intended to be used for the (a) development and operation of the Group's injectables businesses (including RT002 (subject to the approval by the independent Shareholders for the sub-license agreement entered into between the Company and Fosun Industrial on 14 July 2021 and the transactions contemplated thereunder) or other injectables business opportunities) and aesthetic dentistry and personal care business units, (b) the expansion of the Group's global sales channels and (c) general working capital purposes. For details, please refer to the announcements of the Company dated July 20, 2021 and July 27, 2021.

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

An analysis of the application and utilisation of the net proceeds from the Placing as at June 30, 2023 is set out below:

Allocation of the net proceeds		**Allocation of the net proceeds** *(HK$ million)*	**Unutilised amounts as at December 31, 2022** *(HK$ million)*	**Utilised amounts during the Reporting Period** *(HK$ million)*	**Unutilised amounts as at June 30, 2023** *(HK$ million)*
(a)	Development and operation of the Group's injectables businesses and aesthetic dentistry and personal care business units	546	71	–	71
(b)	Expansion of the Group's global sales channels	61	61	61	–
(c)	General working capital	8	8	8	–
Total		**615**	**140**	**69**	**71**

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2023.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period, 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 (the "**CG Code**") contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Directors' and Chief Executive Officer's Dealing Policy on terms no less exacting than the required standard under 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.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim results of the Group for the six months ended June 30, 2023 prepared in accordance with IFRSs.

PUBLICATION OF INTERIM RESULTS AND 2023 INTERIM REPORT

This results announcement is published on the website of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at http://www.hkexnews.hk and on the website of the Company at http://www.sisram-medical.com. The 2023 interim 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 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, August 23, 2023

As at the date of this announcement, the Board 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*