Sisram Medical

Enhancing Quality of Life | 提高生活質量

(Incorporated in Israel with limited liabillity)

ANNUAL REPORT 2017

Stock Code: 1696

Contents

Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last four financial years prepared on the basis set out in the note below.

Results

	Year ended December 31,			
	2017	2016	2015	2014
	US$'000	US$'000	US$'000	US$'000
Revenue	**136,887**	118,156	110,406	101,321
Profit before tax	**15,821**	11,860	10,927	9,323
Income tax expense	**(4,772)**	(3,359)	(2,334)	(2,618)
Profit for the year	**11,049**	8,501	8,593	6,705
Profit attributable to:				
Owners of the parent	**11,049**	8,055	7,814	5,943

Aassets and liabilities

	As at December 31,			
	2017	2016	2015	2014
	US$'000	US$'000	US$'000	US$'000
Total assets	**346,615**	279,161	272,992	270,383
Total liabilities	**(53,639)**	(238,675)	(240,447)	(245,261)
Net assets	**292,976**	40,486	32,545	25,122

Note:

The consolidated results of the Group for the four years ended December 31, 2014, 2015, 2016 and 2017 and the consolidated assets and liabilities of the Group as at December 31, 2014, 2015, 2016 and 2017 have been extracted from the published audited consolidated financial statements.

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

A pivotal year in the Company's history

Chairman's Statement

Back in 2013, Fosun Pharma identified the energy-based medical device market as a strategic growth engine with ample opportunity. Within this market, Alma Lasers' prominent brand position, gaining significant market share and visibility in the PRC as well as on a global scale, triggered our commercial interest. The natural, complementary match between Fosun Pharma as a market leader offering an unmatched footprint in pharmaceutical distribution and retail, healthcare services, diagnostic products and medical devices and Alma Lasers, as one of the top five global leaders and the number one in the PRC in its industry, resulted in the acquisition of Alma Lasers and the establishment of Sisram as a holding company with Alma Lasers as its primary subsidiary.

Sisram's smooth transition to a publicly traded company demonstrates the strong and felicitous foundations of the Company, empowered by a solid business framework.

2017 was a pivotal year in the Company's history, as it accelerated its transformation into a higher-margin business focused on creating value. We delivered a substantial US$15.8 million profit before tax, representing an increase of 33.4% compared to 2016, achieving our fourth consecutive year of solid earnings and positive operating-related cash flow.

Our industry is changing faster than ever before: the global average life expectancy increased by 5 years between 2000 and 2015, the fastest increase since the 1960's. 901 million people worldwide are over the age of 60 today and this number is projected to reach 1.4 billion by 2030. People are living longer, working for longer periods of time, obtaining larger disposable income and seeking a better quality of life. We see these trends in various domains – tourism, healthcare, aesthetic sectors, etc. In this dynamic and challenging atmosphere, we charted our vision of enhancing quality of life, aligning with the market trends and inspiring us to further push our boundaries and offer minimally-invasive medical solutions aimed at improving consumers' well-being.

Sisram, positioned as Fosun Pharma's platform for medical aesthetic and minimally-invasive solutions business, is enjoying the benefits of a strong financial back coupled with supporting organizational environment. As we continue our journey, expanding and diversifying from an energy-based medical aesthetic device company to become an enhancing quality of life facilitator, we remain focused on both organic and non-organic growth activities: developing, manufacturing and distributing top-of-the-line energy-based medical aesthetic and minimally-invasive devices, as well as identifying and leveraging new opportunities to expand our core expertise and market.

Sisram's Board of Directors (structure) is an excellent manifestation of Fosun Pharma's trust and evaluation/ appreciation of Sisram's market position, vision and goals, comprising high-level Fosun Pharma's executives and Sisram's top-management executives and experienced independent directors.

On behalf of the Board of Directors, I am pleased to present this annual report, concluding yet another successful year. Considering our accomplishments in 2017, our robust balance sheet, solid financial capability and flexibility to fund our investments and operational commitments, I believe we are in an excellent position from which to continue our journey forward.

I would like to thank our employees and management team for their commitment throughout the year. Our Board of Directors and entire leadership team continue to focus on delivering business results in the present, while creating value and opportunity for the future benefit of our shareholders, customers, suppliers and partners.

Yi LIU, Chairman
March 19, 2018

A breakthrough year of significant progress

Chief Executive Officer's Review

At the end of 2016, we set some very ambitious objectives for the Company in the near-term. These objectives included achievement of a successful IPO on the Stock Exchange, continued revenue growth on a global scale, achievement of development milestones with respect to minimally-invasive product offerings, deployment of IoT as a concept and technology, and the planning and execution of a DTC strategy.

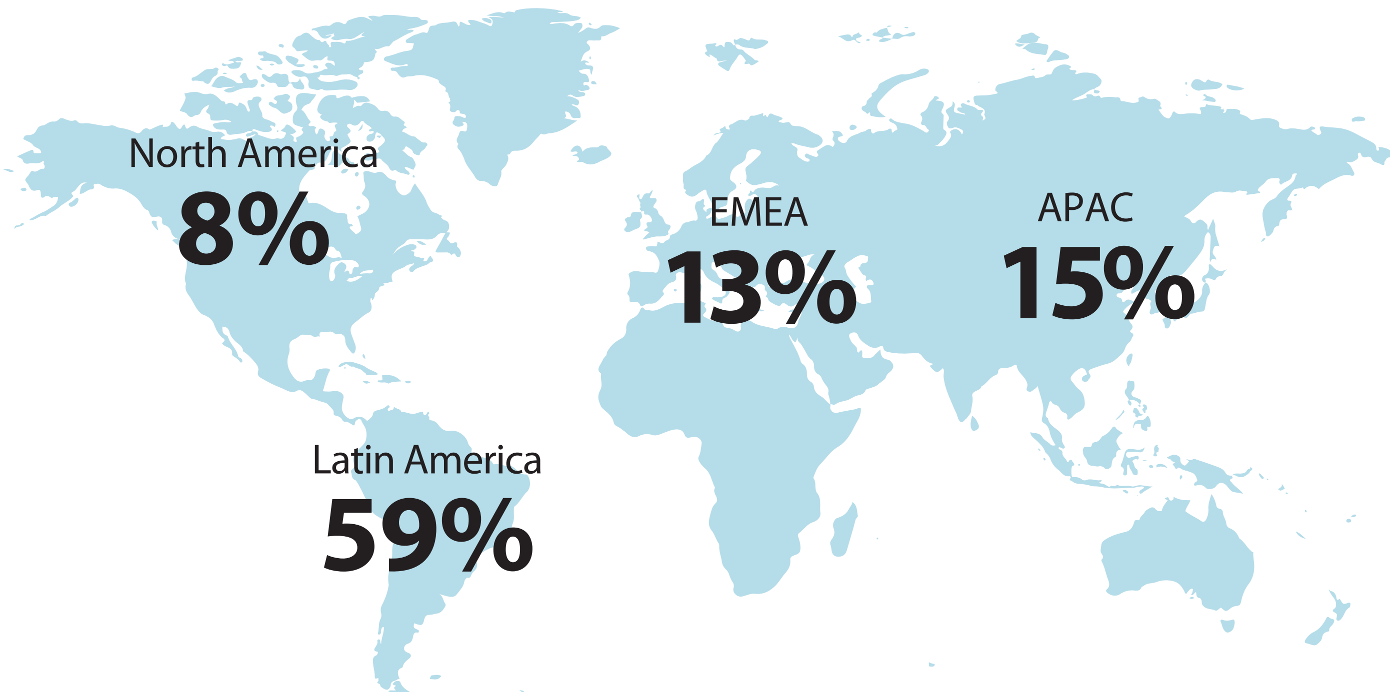
In reflecting on 2017, I am pleased to share with you our achievements with respect to each of the above-referenced objectives. Specifically:

- Sisram became a publicly-traded company in September 2017 and is the first Israeli company listed on the Main Board of the Stock Exchange, a major step on our journey to become a leading global facilitator for enhancing quality of life.
- With a sales revenue of US$136.9 million in 2017 and adjusted net income of US$25.3 million, we obtained the best results in the history of the Company while achieving a 16% revenue increase YOY.
- We have allocated significant research, development and clinical efforts towards developing and testing new minimally-invasive treatments for surgical indications that we intend to launch in 2018.
- We implemented a soft launch of our IoT platform, Alma Smart Clinic, which is a cloud-based data centre and remote-control service. The service introduces a new feature to our platforms, allowing marketing data collection through an easy-to-use interface. The data is available for retrieval at any time and will enable us to improve the way we conduct business on a global basis.
- We successfully planned and executed a DTC strategy focused on strengthening our digital marketing tools and building a new distribution model. The goal of this strategy is to build bottom-up demand and strengthen brand awareness.

From an industry perspective, the global energy-based medical aesthetic device market is expected to reach US$3.35 billion during 2018, growing at a compound annual growth rate (CAGR) of 10.4% over a 5-year forecast period.

Minimally-invasive and non-surgical aesthetic procedures, such as facial cosmetic procedures and liposuction procedures, account for a majority of the aesthetic procedures performed worldwide. Rapid technological advancements, increasing demand for minimally-invasive techniques, increasing awareness of aesthetic procedures, and the rising obese population are a few important driving factors for this market. Currently, North America is the largest global market, followed by Europe with APAC being the fastest growing segment. Corresponding with these global trends outlined above, we experienced global growth of 21% in YOY revenues for our minimally-invasive platforms, 128% YOY growth in China, and over 150% YOY growth in India for this product line. These achievements are attributed to our comprehensive body contouring product line, featuring: stand-alone energy source platforms, combined technologies platforms and combined non & minimally-invasive procedures. During 2017, we received an FDA clearance in North America on our LipoFlow system for infiltration, aspiration, harvesting, filtering and transferring of fat tissue for aesthetic body contouring. This FDA clearance will enable us to penetrate the liposuction market and strengthen our minimally-invasive product offerings in North America.

Revenue Growth



During 2017, we had significant collaboration with tier-one aesthetic firms in APAC sustaining our leading position in the region and resulting in 15% YOY growth. These figures comprise 10% YOY revenue growth in the PRC, 121% YOY revenue growth in Hong Kong, and 38% revenue growth from our Indian subsidiary. India's phenomenon growth is mainly attributed to our ongoing strong core activity as well as the introduction of our surgical line. Our regional plans for 2018 include new territories in South-east Asia and strengthening our position in existing markets.

In North America, we achieved revenue growth of 8% YOY and significantly expanded our North American sales force and product offerings during the latter part of the year. There is significant demand for our minimally-invasive products line in North America and we believe the LipoFlow FDA clearance, along with the potential for additional clearances in 2018, will further increase our revenues in the region moving forward.

Chief Executive Officer's Review

EMEA revenues increased by 13% YOY, primarily as a result of strong revenue growth in Poland, Spain, and the United Kingdom as well as from our DACH subsidiary, each of which maintained significant YOY revenue growth of at least 20%. We maintain an outstanding market share in EMEA, with 32 active distributors across the region, and we added new distributors in Sweden, Denmark, Latvia and Romania during 2017. Many of these great results are driven by our hair removal brand – Soprano ICE, generating a high sales volume and boosting market potential and demand over recent years. The launch of our newest platform – Soprano ICE Platinum positioned our hair removal solution as the most effective, top selling platform in Europe.

Latin America achieved a 59% YOY revenue growth with individual country growth of 86% in Argentina, 70% in Chile, and 64% in Brazil. These results were driven in part by the introduction of new products into the region including FemiLift (feminine health), Accent Prime (body contouring), and Soprano ICE Platinum (hair removal).

A significant portion of the Company's overall financial results can be attributed to the Company's research and development efforts. Our R&D investment increased 70% YOY, as we continue to focus on new and innovative product offerings. Furthermore, 16% of our employees are R&D specialists, and a quarter of our R&D employees hold PhDs or other advanced degrees. I am proud to say that we are amongst the few companies to preform in-house organic research, development and manufacturing of multiple energy-based technologies including laser, radio frequency, ultrasound and plasma. This unique competitive edge enables us to quickly introduce wide variety of products, including both stand-alone and combined technologies to the market. Throughout 2017, we conducted intense research and development activities for the purpose of discovering new applications and effective combinations of energy sources in surgical as well as medical aesthetic practices.

Strategic outlook 2018

Sisram is well positioned to achieve its 2018 targets. Throughout the coming year, we will continue to extend and deepen our value proposition, with a particular focus on the following:

- We plan to explore both organic and non-organic growth engines. With respect to organic growth, we will seek to expand our sales force and establish additional direct sales operations. With respect to non-organic growth, we will seek joint venture and M&A opportunities in the cosmeceuticals, stem cells, and PRP domains as well as with minimally-invasive device companies. Our partnership with IBSA, a leading Swiss pharmaceutical company is one example of such venture.
- We intend to devote R&D resources towards investigating the interaction between energy sources and pharmaceuticals and towards developing products and protocols that will best utilize the findings of our research.
- Through a re-branding process with a B2C focus, we intend to establish Alma as a consumer brand, with the goal of driving bottom-up demand and expanding business opportunities.
- We expect to further implement and expand our IoT technology.

Appreciation

On a closing note, I would like to take this opportunity to thank our customers and key opinion leaders, shareholders, partners, suppliers, and our employees for their contribution to our success as well as the achievement of our future goals.

Looking forward to a successful 2018.

Lior M. Dayan
Chief Executive Officer

Management Discussion and Analysis

1. Initial public offering

The Shares of the Company became listed on the Stock Exchange on September 19, 2017, representing a key milestone in the business development of the Group. In connection with the Company's Listing, 88,000,000 new Shares were issued and allotted. On October 8, 2017, the over-allotment option granted by the Company in connection with the Global Offering was partially exercised by the joint global coordinators of the Global Offering and the Company issued an aggregate of 2,155,600 new Shares pursuant to the exercise of the over-allotment option.

2. The use of proceeds from the global offering

Total net proceeds from the Global Offering amounted to approximately HK$771.3 million. As at the end of the Reporting Period, approximately HK$143.5 million has been used in accordance with the plan as disclosed in the prospectus of the Company dated September 5, 2017 (the "Prospectus").

3. Business review

The Company is a leading global provider of energy-based medical aesthetic treatment systems, with comprehensive in-house capability to design, develop and produce such systems, which feature its innovative and proprietary technologies. The "Alma" brand, as well as the brands of many of the Group's products such as "Soprano", "Harmony", "Accent" and "FemiLift", are widely recognized and well regarded among treatment providers and treatment recipients internationally. The Company has also been the largest provider of energy-based medical aesthetic treatment systems in the PRC, market and one of the leaders in the medical aesthetic treatment system market globally, in terms of revenue in 2016. The Company sells its treatment systems in approximately 80 countries and jurisdictions worldwide.

The treatment systems developed and manufactured by the Company can be used for a broad range of energy-based non-invasive medical aesthetic and minimally invasive treatments. The Company has a comprehensive portfolio of treatment systems, including its Core product line and Beauty product line, which can be utilized to perform non-invasive medical aesthetic treatments such as hair removal, skin rejuvenation, skin resurfacing, treatment of vascular and pigmented lesions, tattoo removal, acne treatment, cellulite reduction, body contouring and skin tightening. The Company's treatment systems can also be utilized to perform minimally invasive treatments such as vaginal rejuvenation, laser-based liposuction, treatment of varicose veins and ear, nose and throat procedures. The Company's flagship offerings include (i) the Soprano family, primarily used for hair removal, (ii) the Harmony family, a versatile multi-application platform that can be used to treat up to 65 different FDA-cleared indications, and (iii) the Accent family, primarily used for body contouring and skin tightening, all of which belong to its Core product line, and (iv) FemiLift, a minimally invasive treatment system for treatment of various feminine conditions (such as vaginal rejuvenation). In addition, the Company offers Beauty product line treatment systems such as Rejuve and SPADEEP.

The Company primarily sells its treatment systems either (i) by direct sales to treatment providers or (ii) to distributors, that on-sell to treatment providers who use the Company's treatment systems to perform medical aesthetic procedures. These treatment providers primarily include core physicians (plastic surgeons and dermatologists), non-core physicians (including primary care physicians, obstetricians, gynaecologists, and ear, nose and throat specialists) and aestheticians.

In the United States, Canada, Germany, Austria and India, the Company sells primarily to treatment providers directly, and in rest of the world, the Company sells primarily to distributors, who acquire title to the Company's treatment systems and on-sell them to treatment providers who are their customers.

For the year ended December 31, 2017, revenue from distributors and direct sales customers represented 62.4% and 37.6% of the Company's total revenue, respectively, as compared to 64.1% and 35.9% of that for the year of 2016.

The Company has established a global sales and distribution network, with 24.5%, 27.6%, 20.6%, 12.5%, 10.4% and 4.4% of the Company's total revenue for the year ended December 31, 2017 attributable to North America, Europe, PRC, Asia Pacific (excluding PRC), Latin America and Middle East and Africa geographic segments, respectively (2016: 26.2%, 27.7%, 21.8%, 11.4%, 7.6% and 5.3%, respectively). See revenue by geographic segments section in the "Financial Review" section below.

Driven by the Company's focus on research and development, the Company has developed numerous proprietary technologies, positioning the Company as an innovation leader in the energy-based medical aesthetic industry. As at December 31, 2017, the Company had 52 registered patents and 20 patent applications in various jurisdictions which are material to the Company's business. Furthermore, since the inception of the Company, the Company has focused on organic growth and has developed most of its products and technologies internally. For the year ended December 31, 2017, 97.2% of the revenue from sales of products was derived from products that the Company developed in-house, as compared to 93.7% of that for the year ended December 31, 2016. Moreover, the safety, reliability and quality of the Company's products underlie its strong brand image. A majority of the Company's production processes are performed in-house in the Company's own facilities. In particular, the Company has also formulated stringent quality control procedures and the final quality test of each of the Company's products is performed at the Company's in-house facilities.

Looking back on 2017, the medical aesthetic treatment business of the Company continued to benefit from the Company's launch of new products and the increased awareness and acceptance of medical aesthetic treatments.

The table below sets forth certain of the latest products that the Company launched recently and the Company's product pipeline:

Product	Brief Description	Launch Date/ Expected Launch Date
Zero	A Harmony XL Pro handpiece using cryotherapy to treat excessive sweating	January 2017
Liposense	A non-ablative CO2 laser applicator for the Lipolife	January 2017
SINON II	The new generation of our SINON treatment system, which features a Q-Switched Ruby laser configured specially for treatment of pigment lesions and multi-color tattoo removal	March 2017
HomoGenius handpiece	Additional Alma-Q handpiece	March 2017
Lipolife handpiece	Lipotight, an additional handpiece that allows treatment on small areas like face	June 2017
Two additional Alma-Q handpieces	Spectrum-Y and Spectrum R, which extend the capability of Alma Q to remove difficult-to-remove tattoo colors	August 2017
Small Areas Treatment kit	Contouring and rejuvenation of face and small areas, using an ultrasound-based applicator and a radiofrequency applicator	February 2018
Accentuate, hands-free body contouring treatment system	A treatment system utilizing radiofrequency	April 2018

Management Discussion and Analysis

For the year ended December 31, 2017, the revenue increased by 15.9% as compared to 2016 to US$136.9 million. The Group generated revenue from the following business segments: (i) sales of goods and (ii) services and other. Goods were further categorized into: (i) non-invasive medical aesthetic products and (ii) minimally invasive products. Substantially all of the products are energy-based medical aesthetic treatment systems and ancillary products for use with the Group's treatment systems. The Group sells products both directly to treatment providers and to distributors, who on-sell the products to treatment providers.

The revenue from sales of goods for the year ended December 31, 2017 amounted to US$128.1 million, representing an increase of 16.6% as compared to 2016. This increase was primarily attributable to the revenue growth from sales of both non-invasive medical aesthetic and minimally invasive products which grew by 16.0% and 21.0%, respectively, as compared to 2016 The revenue from services and other for the year ended December 31, 2017 amounted to US$8.8 million, representing an increase of 5.4% as compared to 2016.

For the year ended December 31, 2017, the Group recorded profit before tax of US$15.8 million and profit attributable to owners of the parent of US$11.0 million, representing an increase of 33.4% and 37.2%, respectively, as compared to the year ended December 31, 2016. The increase in profit before tax and profit attributable to owners of the parent was mainly due to the steady business growth and initiating new technologies to the market.

For the year ended December 31, 2017, the Group recorded an adjusted net profit of US$25.3 million representing an increase of 24.1% as compared to the corresponding period of 2016. The adjusted net profit margin for the Reporting Period was 18.5%, up of 1.3% as compared to the corresponding period of 2016. The terms of adjusted net profit and adjusted net profit margin are not financial measures defined under IFRSs. Please see "Financial review—Adjusted net profit and adjusted net profit margin" section below for further details.

The net cash flow from operating activities amounted to US$17.1 million, representing an increase of 6.5% as compared to 2016, which was a direct result of the increase in revenues.

During the Reporting Period, the Group continued to increase its R&D investment. The total R&D investment amounted to US$12.4 million, representing an increase of US$5.1 million or 69.7% as compared to the corresponding period of 2016. The increase is primarily attributable to the payment of the IPO Bonus, the recruitment of more talented employees and increased costs relating to the purchase of raw materials and prototypes for R&D purposes.

4. Outlook for 2018

The Company is well positioned to achieve its 2018 targets and vision. Throughout the coming year, the Company will continue to extend and deepen its value proposition, with a particular focus on the following:

- The Company plans to explore both organic and non-organic growth engines. With respect to organic growth, the Company will seek to expand its sales force and establish additional direct sales operations. With respect to non-organic growth, the Company will seek joint venture and merger and acquisition opportunities in the cosmeceuticals, stem cells, and PRP domains as well as with minimally-invasive device companies. The partnership with IBSA, a leading Swiss pharmaceutical company is one example of such venture.
- The Company intends to devote R&D resources toward investigating the interaction between energy sources and pharmaceuticals and toward developing products and protocols that will best utilize the findings of the Company's research.
- Through a re-branding process with a B2C focus, the Company intends to establish Alma as a consumer brand, with the goal of driving bottom-up demand and expanding business opportunities.
- The Company also expects to further implement and expand its IoT technology.

5. Financial review

Overview

The Company is a leading global provider of energy-based medical aesthetic treatment systems, with comprehensive in-house capability to design, develop and produce such systems, which feature its innovative and proprietary technologies. The Company sells its treatment systems in approximately 80 countries and jurisdictions worldwide to its direct sale customers and its distributors.

For the year ended December 31, 2017, the total revenue was US$136.9 million, representing an increase of 15.9% as compared to 2016. Profit before tax and profit attributable to owners of the parent of the Group were US$15.8 million and US$11.0 million, respectively and increased by 33.4% and 37.2% as compared to 2016, respectively.

Management Discussion and Analysis

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

	2017		2016	
	(US$ in thousands, except for percentages)			
	Amount	**% of revenue**	Amount	% of revenue
REVENUE	**136,887**	**100.0%**	118,156	100.0%
Cost of sales	**(63,690)**	**46.5%**	(55,933)	47.3%
Gross profit	**73,197**	**53.5%**	62,223	52.7%
Other income and gains	**2,057**	**1.5%**	719	0.6%
Selling and distribution expenses	**(26,059)**	**19.0%**	(21,380)	18.1%
Administrative expenses	**(13,862)**	**10.1%**	(12,989)	11.0%
Research and development expenses	**(12,399)**	**9.1%**	(7,307)	6.2%
Other expenses	**(1,780)**	**1.3%**	(2,438)	2.1%
Finance costs	**(5,333)**	**3.9%**	(6,968)	5.9%
PROFIT BEFORE TAX	**15,821**	**11.6%**	11,860	10.0%
Income tax expense	**(4,772)**	**3.5%**	(3,359)	2.8%
PROFIT FOR THE YEAR	**11,049**	**8.1%**	8,501	7.2%
Attributable to:				
Owners of the parent	**11,049**	**8.1%**	8,055	6.8%
Non-controlling interests	—	**0.0%**	446	0.4%

A. Revenue

For the year ended December 31, 2017, revenue of the Group was US$136.9 million, representing an increase of US$18.7 million or 15.9% as compared to 2016. The overall increase was primarily attributable to an increase in the sales volume of main consoles and applicators for the Company's non-invasive treatment systems and the growth of the minimally invasive treatment systems product line since its launch in 2013. Furthermore, the expansion of the Company's business is a direct result of increased brand recognition, expansion into new geographic territories, increased consumable revenue, as well as increased demand for medical aesthetic treatments globally.

During the Reporting Period, the Company generated revenue from the following revenue streams: (i) sale of goods; and (ii) services and other. The revenue from sale of goods amounted to US$128.1 million, representing an increase of 16.6% as compared to the corresponding period of 2016. The revenue from services and other amounted to US$8.8 million, representing an increase of 5.4% as compared to 2016.

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

	2017		2016	
	(US$ in thousands, except for percentages)			
Sale of Goods:				
Non-invasive medical aesthetic:				
Core	**101,189**	**73.9%**	88,249	74.7%
Beauty	**9,774**	**7.1%**	7,412	6.3%
Subtotal	**110,963**	**81.0%**	95,661	81.0%
Minimally invasive	**17,145**	**12.6%**	14,165	12.0%
	128,108	**93.6%**	109,826	93.0%
Services and Others	**8,779**	**6.4%**	8,330	7.0%
Total	**136,887**	**100.0%**	118,156	100.0%

The Company has derived a substantial majority of its revenue from the Core product line, which includes the flagship non-invasive medical aesthetic treatment systems such as the Soprano, Harmony and Accent families, as well as its Aesthetic Precision series and a few other families of treatment systems. Revenue from the sale of the Core product line was US$101.2 million for the year ended December 31, 2017, representing an increase of 14.7% compared to US$88.2 million in 2016. The increase was mainly because of the strong sales of flagship products, especially for Soprano and Accent. The revenue of the Core product line represents 73.9% of the Company's total revenue for 2017 as compared to 74.7% of that in 2016.

The Company's Beauty product line consists of treatment systems that are targeted towards different market segments than the Core product line treatment systems The Beauty product line caters to aestheticians who generally provide medical aesthetic and beauty treatments that require less complex and powerful treatment systems. For the year ended December 31, 2017, revenue from the Beauty product line was US$9.8 million, representing an increase of 31.9% compared to US$7.4 million in 2016. The increase was mainly due to the growing demand from the global markets. The revenue from the Beauty product line represents 7.1% of the Group's total revenue for 2017, as compared to 6.3% of that in 2016.

For the year ended December 31, 2017, revenue from the sale of the Group's minimally invasive products was US$17.1 million, representing an increase of 21.0% compared to US$14.2 million in 2016. The increase was primarily attributable to the increased sales volume of the FemiLift treatment systems and the related consumables, and the global launching of new products Lipolife, which is the first system in the in the industry to receive FDA and CFDA approval for infiltration, aspiration, harvesting, filtering and transferring of fat tissue for aesthetic body contouring. The revenue of minimally invasive products represented 12.6% of the Company's total revenue in 2017 as compared to 12.0% of that in 2016.

Revenue by geographic segments

The following table sets forth the revenue by geographic segments for the years indicated (measured by the location of the Group's direct sales customers and distributors):

	2017		2016	
	(US$ in thousands, except for percentages)			
Europe	**37,839**	**27.6%**	32,729	27.7%
North America	**33,508**	**24.5%**	31,001	26.2%
PRC	**28,216**	**20.6%**	25,733	21.8%
Asia Pacific (excluding PRC)	**17,108**	**12.5%**	13,516	11.4%
Latin America	**14,260**	**10.4%**	8,989	7.6%
Middle East and Africa	**5,956**	**4.4%**	6,188	5.3%
Total	**136,887**	**100.0%**	118,156	100.0%

During 2017, North America, Europe and the PRC were the Company's most important geographic segments by revenue contribution, though sales were distributed broadly across many regions globally. The Company has strived to maintain and expand its geographically diverse sales network, which will allow the Company to readily capture strong regional demand, as well as help the Company to balance and minimize risks from regional economics downfalls.

Even though the Group's sales were impacted by a regional natural disasters, the revenue from the North America segment managed to increase by 8.1% from US$31.0 million for the year ended December 31, 2016 to US$33.5 million for the year ended December 31, 2017. This increase is primarily due to an increase in sales of body contouring treatment systems as well as hair removal systems. The Company believes that the treatment options offered by these systems have gained in popularity among treatment recipients as a result of increased market awareness. Furthermore, the Company launched its LipoLife treatment system in 2017, which is the first laser for infiltration, aspiration, harvesting, filtering and transferring of fat tissue for aesthetic body contouring. The company also made significant investments in its direct sales force and marketing team in North America during 2017 as North America is the largest global market for the Group's products. The Company believes that these investments will enable the Company to increase its market share in the future for this segment.

The revenue from the European segment increased by 15.6% from US$32.7 million for the year ended December 31, 2016 to US$37.8 million for the year ended December 31, 2017.The increase is primarily attributable to significantly increased sales volume in countries such as Germany, Poland, Ireland, UK and Turkey, as well as an overall increased demand for the Group's products across Europe. During 2017, the Company saw very strong demand in this segment for its body contouring platforms, particularly its Accent Prime system.

The revenue from the PRC segment increased by 9.6% from US$25.7 million for the year ended December 31, 2016 to US$28.2 million for the year ended December 31, 2017. This increase is primarily attributable to the increase in sales volume of the Core product line and minimally invasive product line, partially offset by a decrease in sales volume of the Beauty product line. During 2017, the Company significantly strengthened its position in the region with respect to feminine health and body contouring through sales of its FemiLift and Thermolift products, respectively. Furthermore, the Company enjoys increased product awareness in the PRC as a result of significant physician education efforts taking place in the region.

The revenue from the Asia Pacific (excluding PRC) segment increased by 26.6% from US$13.5 million for the year ended December 31, 2016 to US$17.1 million for the year ended December 31, 2017. This increase is primarily attributable to (i) India, a result of the sales force expansion of about 33%, (ii) Hong Kong, a result of the increased brand recognition and (iii) Japan, a result of the increase in sales of the SPADEEP products.

The revenue from the Latin America segment increased by 58.6% from US$9.0 million for the year ended December 31, 2016 to US$ 14.3 million for the year ended December 31, 2017. This increase is primarily attributable to the improvement in the overall economic condition in various countries in this region which led to relatively consistent demand from the region overall.

The revenue from the Middle East and Africa segment decreased by 3.7% from US$6.2 million for the year ended December 31, 2016 to US$6.0 million for the year ended December 31, 2017. Despite the challenging atmosphere in this vast region, the Company was able to maintain its leading market position.

B. Cost of sales

During the Reporting Period, the cost of sales primarily comprised the costs of production materials, and to a lesser extent, remuneration of production employees, the cost of rendering of services, and overhead and other miscellaneous costs relating to production. For the year ended December 31, 2017, the cost of sales of the Group increased by 13.9% to US$63.7 million from US$55.9 million for 2016, which is mainly caused by the increase of material costs as a result of the increase in sales volume.

C. Gross profit and gross profit margin

During the Reporting Period, gross profit of the Group increased by 17.6% to US$73.2 million from US$62.2 million in 2016. The gross profit margin increased to 53.5% for the Reporting Period compared to 52.7% in 2016. The significant increase in gross profit margin was mainly attributable to increased sales to the direct sales customers (in which we generally enjoy better gross profit margins due to higher selling prices at the same cost of sales) and a shift in product mix towards higher margin products.

D. Selling and distribution expenses

The selling and distribution expenses primarily consist of (i) employees' salaries and related cost, (ii) sales commission to sales employees and independent agents, (iii) marketing expenses such as tradeshow fees, and (iv) administrative and other sales and marketing expenses. For the year ended December 31, 2017, selling and distribution expenses amounted to US$26.1 million, representing an increase of 21.9% from US$21.4 million in 2016. The reason for the increase was mainly due to the sales force expansion in direct sales territories such as North America and India. The increase in proportion of direct sales revenue also led to the increase of selling and distribution expenses.

E. Administrative expenses

Administrative expenses primarily consist of (i) amortization of intangible assets arising from the acquisition of Alma in 2013; (ii) remuneration paid to administration employees; (iii) professional fees paid and administrative costs; (iv) fees relating to the operation facilities; (v) Listing expenses; and (vi) other miscellaneous expenses.

During the Reporting Period, administrative expenses of the Group increased by 6.7% to US$13.9 million from US$13.0 million in 2016, representing 10.1% of the total revenue compared to 11.0% in 2016. The increase was primarily attributable to payment of the IPO Bonus of US$3.9 million that we incurred in 2017, which was partially offset by the decrease of Listing expenses from US$3.6 million in 2016 to US$3.0 million in 2017.

F. Research and development expenses

During the Reporting Period, R&D expenses of the Group increased by 69.7% to US$12.4 million from US$7.3 million in 2016. The Group's research and development expenses primarily consist of remuneration to research and development team members, cost of materials used in research development efforts and expenses related to regulatory compliance and registration of patents and trademarks. During the Reporting Period, all research and development expenses were recorded in the period that such expenses were incurred and were not capitalized.

For the year ended December 31, 2017, R&D expenses of the Group accounted for 9.1% of the revenue compared to 6.2% in 2016. The increase is primarily attributable to the payment of the IPO Bonus, the recruitment of more talented employees and increased costs relating to the purchase of more raw materials and prototypes for R&D purposes.

G. Finance costs

Finance costs mainly comprise of interest on bank loans and imputed interest on interest-free long-term capital notes issued to the then existing shareholders (the "Capital Notes") which were capitalized upon Listing. Finance costs decreased from US$7.0 million in 2016 to US$5.3 million in 2017, primarily attributable to the capitalization of the Capital Notes upon Listing and repayment of bank loans.

H. Income tax expense

The Israeli corporate tax rates were 24.0% and 25.0% in 2017 and 2016, respectively. Each entity in the Group is taxable based on its standalone results as measured by the local tax system.

Alma, the major operating subsidiary of the Company, was granted the status of "Preferred Enterprise" under the 2011 Amendment of the Investment Law and therefore enjoyed a preferential corporate tax rate of 16% during the Reporting Period.

Income tax expense increased by 42.1% from US$3.4 million in 2016 to US$4.8 million in 2017, primarily attributable to the increase in profit before tax.

The effective tax rate of the Group was 30.2% for the Reporting Period, which was comparable to that of 28.3% in 2016.

I. Profit for the year

Due to the above reasons, during the Reporting Period, profit for the year increased by 30.0% to US$11.0 million from US$8.5 million in 2016. Net profit margin for 2017 and 2016 were 8.1% and 7.2%, respectively.

J. Profit for the year attributable to owners of the parent

During the Reporting Period, profit for the year attributable to owners of the parent of the Group increased by 37.2% to US$11.0 million from US$8.1 million in 2016.

On June 26, 2016, the Company acquired all the remaining shares held by the non-controlling shareholders of Alma. As a result of the transaction, and as of the date of this annual report, the Company held 100% of Alma's shares.

K. Adjusted net profit and adjusted net profit margin

The Group calculates adjusted net profit by taking profit for the period and adding back (a) amortization of other intangible assets resulting entirely from the Alma Acquisition; (b) imputed interest expenses arising from the Capital Notes which were no longer outstanding upon Listing; (c) expenses incurred in relation to the Listing (one-off in nature); (d) finance costs arising from the buy-out loan from a related company, which was repaid subsequent to the Listing and is no longer outstanding; (e) bonus to managements and employees as a result of the completion of the Listing, and (f) deferred tax liability arising from other intangible assets, which primarily relates to the Alma Acquisition. 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 or that were no longer outstanding subsequent to the Listing.

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 year presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is profit for the year:

	2017 **US$'000**	2016 US$'000
PROFIT FOR THE YEAR	**11,049**	8,501
Adjusted for:		
Amortization of other intangible assets arising from the Alma acquisition	**4,827**	4,885
Capital Notes imputed interest expenses	**3,079**	4,176
Listing expenses	**2,975**	3,559
Bonus to managements and employees relating to IPO	**3,884**	—
Interest expense from a related party loan	**248**	155
One-off impact on opening deferred tax from changes in tax rate*	**114**	—
Deduct: deferred tax arising from other intangible assets	**(912)**	(923)
Adjusted net profit	**25,264**	20,353
Adjusted net profit margin	**18.5%**	17.2%

* This represents the re-valuation of the deferred tax in the United States as a result of the recently enacted United States tax reform legislation, which is one-off in nature.

6. Debt structure, liquidity and sources of funds

A. Gearing Ratio

As at December 31, 2017, the Group's cash and cash equivalents exceeded total debt. As such, no gearing ratio as at December 31, 2017 was presented. As at December 31, 2016, the gearing ratio was 81.8%. Net debt includes interest-bearing bank borrowings, the Capital Notes and a loan from a related party, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The Capital Notes were capitalized upon the Listing on September 19, 2017.

B. Interest Coverage

During the Reporting Period, the interest coverage, which is calculated by EBITDA divided by finance costs, was 5.1 times as compared to 3.5 times in 2016. The interest coverage increased mainly because the Group's EBITDA during the Reporting Period increased by 10.6% to US$27.0 million from US$24.4 million in 2016, and finance cost decreased by 23.5% to US$5.3 million from US$7.0 million in 2016.

C. Available Facilities

The Group did not have any unutilized banking facilities, as the Company's borrowing was mainly used for the Alma Acquisition and the Group financed its operations historically through cash generated from operating activities.

D. Interest Rate

As at December 31, 2017, total interest-bearing bank and other borrowings at a floating interest rate amounted to US$11.1 million (December 31, 2016: US$48.9 million).

E. Maturity Structure of Outstanding Debts

The following table sets forth the maturity structure of outstanding debts as at December 31, 2017 and 2016.

	2017			2016		
	Effective interest rate (%)	Maturity	US$'000	Effective interest rate (%)	Maturity	US$'000
Current						
Current portion of long-term bank loans, secured	6-month LIBOR+3.75	2018	4,321	6-month LIBOR+3.75	2017	12,246
Non-current						
Bank loan, secured	6-month LIBOR+3.75	2020	6,761	6-month LIBOR+3.75	2020	36,672
			11,082			48,918

Note: LIBOR stands for London Interbank Offered Rate.

	2017 US$'000	2016 US$'000
Loan balance	11,611	49,857
Less: loan arrangement fees	529	939
	11,082	48,918
Analyzed into:		
Within one year	4,321	12,246
In the second year	4,861	13,995
In the third to fifth years, inclusive	1,900	22,677
	11,082	48,918

F. Collateral and Pledged Assets

On April 13, 2014, the Company entered into a loan agreement of US$82.0 million pursuant to which an unconditional guarantee agreement with the banks was entered into, pursuant to which the Company granted and pledged to the banks a continuing security interest in all the Company's assets. In addition, the Company granted and pledged to the banks all of the issued and outstanding shares of Alma and a floating charge over all of the present and future assets of the Company as they may be from time to time. The Company also agreed not to sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its assets. The loan was to be repaid in twelve semi-annual instalments commencing in October 2014. On December 31, 2014 and October 16, 2017, the Company paid US$9.9 million and early repayment of US$26.0 million, respectively. As at December 31, 2017, the Company has met all the aforementioned financial covenants. The remaining balance of the loan amounted to US$ 11.1 million as at December 31, 2017, which is fully covered by the Company's cash balance.

7. Cash flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principals of debts due, paying for purchases and capital expenditures, and funding the growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for 2017 and 2016.

	2017 US$'000	2016 US$'000
Net cash flows from operating activities	**17,057**	16,013
Net cash flows used in investing activities	**(44,743)**	(4,182)
Net cash flows from/(used in) financing activities	**48,171**	(13,052)
Net increase/(decrease) in cash and cash equivalents	**20,485**	(1,221)
Effect of foreign exchange rate changes, net	**(509)**	70
Cash and cash equivalents at beginning of the year	**18,105**	19,256
Cash and cash equivalents at end of the year	**38,081**	18,105
Pledged bank balances for long-term bank loans	**56**	48
Term deposits with original maturity of more than three months	**66,000**	23,500
Cash and bank balances as stated in the consolidated statements of financial position	**104,137**	41,653

Net cash flows from operating activities

For the year ended December 31, 2017, the net cash flows from operating activities were US$17.1 million, which was primarily attributable to (i) the profit before tax of US$15.8 million, (ii) total adjustments for profit or loss items of US$12.1 million, (iii) working capital adjustments of US$4.6 million, and (ii) income tax paid of US$6.3 million.

Net cash flows used in investing activities

For the year ended December 31, 2017, the net cash flows used in investing activities were US$44.7 million, which was primarily attributable to (i) an increase of US$42.5 million in term deposits with original maturity of more than three months, in relation to a cash deposit that we made into a savings account at a third-party commercial bank and (ii) US$1.9 million in licences agreement purchase.

Net cash flows used in financing activities

For the year ended December 31, 2017, the net cash flows from financing activities was US$48.2 million, which was primarily attributable to proceeds from the IPO of US$103.2 million, partially offset by (i) repayment of bank loans of US$38.2 million, (ii) repayment of related party loan and interest of US$10.1 million, (iii) payment of share issue expenses of US$5.2 million, and (iv) interest paid of US$2.1 million mainly in relation to our bank loans.

8. Capital commitments and capital expenditures

During the Reporting Period, capital expenditures of the Group amounted to US$2.8 million, which mainly consisted of additions to property, plant and equipment and other intangible assets.

As at December 31, 2017, the Group did not have any significant capital commitments.

9. Contingent liabilities

As at December 31, 2017, the Group did not have any contingent liabilities.

10. Material acquisition and disposal

During 2017, the Group did not conduct any material acquisition or disposal.

11. Significant investments held and future plans for material investments and capital assets

Save for those disclosed in this annual report, these were no other significant investments held as at December 31, 2017. The Group did not have other plans for material investments and capital assets.

12. Risk management

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

A. Foreign Currency Exposure

The functional currency of the Group is the U.S. dollar and most of the sales proceeds are denominated in U.S. dollars. 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 overseas subsidiaries are currencies other than the U.S. dollar, including the Euro and the Indian Rupee. As at the end of the Reporting Period, the assets and liabilities of these entities were translated into the U.S. dollar at the exchange rates prevailing at the end of the Reporting Period and their statements of profit or loss were translated into the U.S. dollar at the weighted average exchange rates for the period. As such the Group's results of operations are sensitive to changes in foreign currency exchange rates.

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

B. Interest Rate Exposure

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

13. Employees and Remuneration Policies

The following table sets forth the number of the employees by function as at December 31, 2017:

Function	Number of Employees
Operations	151
R&D	56
Sales & Marketing	146
General & Administration	28
Total	381

The employees' remuneration comprises 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' remuneration, the Company is able to achieve the coexistence of incentives and restraints.

Report of the Directors

Report of Directors

The Board is pleased to present its 2017 report and the audited consolidated financial statements of the Group for the year ended December 31, 2017.

Principal Activities

The Company is principally engaged in the provision of energy-based medical aesthetic treatment systems, with comprehensive in-house capability to design, develop and produce such systems, which often feature its innovative and proprietary technologies.

Details of the principal activities of the subsidiaries of the Company are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

Results and Dividends

The results of the Group for the year ended December 31, 2017 are set out in the consolidated statement of profit or loss on page 60.

The Board has resolved not to declare a final dividend for the year ended December 31, 2017.

Business Review

The business review of the Group for the Reporting Period is set out in the sections headed "Chief Executive Officer's Review" on pages 5 to 8 and "Management Discussion and Analysis" on pages 9 to 25, respectively of this annual report. All references herein to other sections or reports in this annual report form part of this Report of the Directors.

The Global Offering

On September 19, 2017, the Shares of the Company were listed on the Main Board of the Stock Exchange. The Global Offering comprised the Hong Kong public offering of initially 11,000,000 Shares and the international offering (including the preferential offering) of initially 99,000,000 Shares (subject to, in each case, reallocation and the over-allotment option granted by the Company).

AGM and Closure of Register of Members

The notice of the forthcoming AGM will be published and dispatched to Shareholders of the Company in accordance with the requirements of the Listing Rules and the Articles of Association. The Company will announce the period of closure of register of members in the notice of AGM to be issued.

Summary Financial Information

A summary of the financial information for the last four financial years, as extracted from the audited financial statements, is set out in the section headed "Financial Summary" in this annual report.

Bank Borrowings and Other Borrowings

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at December 31, 2017 are set out in notes 26, 27 and 29 to the financial statements.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Company and its subsidiaries during the Reporting Period are set out in note 13 to the financial statements.

Charge On Assets

As at December 31, 2017, no property ,plant and equipment was pledged to banks as loan security (December 31, 2016: Nil)

Details of collateral and pledged assets are set out in the section headed "Collateral and Pledged Assets" on page 23 of this annual report.

Share Capital

On August 30, 2017, in preparation for the Global Offering, the then existing shareholders of the Company passed a resolution to increase the authorized share capital of the Company from NIS10,000 comprising 1,000,000 Shares of NIS0.01 each to NIS10,000,000, comprising 1,000,000,000 Shares of NIS0.01 each.

Immediately following the completion of the Global Offering and the capitalization issue, comprising the capitalization of NIS2,222,136.48 from the share premium account of the Company and the capitalization of the Capital Notes in the aggregate principal amount of US$146,920,000, the authorized share capital of the Company is NIS10,000,000, comprising 1,000,000,000 Shares of NIS0.01 each, among which, 440,000,000 Shares are issued and fully paid.

On October 8, 2017, the over-allotment option granted by the Company in connection with the Global Offering was partially exercised by the joint global coordinators and the Company issued an aggregate of 2,155,600 Shares pursuant to the exercise of the over-allotment option. Immediately following the completion of the issuance of 2,155,600 Shares, the authorized share capital of the Company is NIS10,000,000, comprising 1,000,000,000 Shares of NIS0.01 each, among which, 442,155,600 Shares are issued and fully paid.

Details of movements in the Company's share capital during the Reporting Period are set out in note 31 to the financial statements.

Subsidiaries

Particulars of the names, principal countries of operation, places of incorporation and issued/registered share capital of the Company's principal subsidiaries are set out in note 1 to the financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date.

Since the Listing Date and up to December 31, 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Distributable Reserves

The amount of the Company's reserves available for distribution as at December 31, 2017, calculated in accordance with Israeli rules and regulations, was US$33.4 million.

Details of the movements in the respective reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity to the financial statements.

Major Customers and Suppliers

During the Reporting Period, the aggregate amount of purchases attributable to the Group's five largest suppliers were less than 30% of total purchases of the Group. The aggregate amount of turnover attributable to the Group's five largest customers was 31.4% of total turnover of the Group. The aggregate amount of turnover attributable to the Group's largest customer was 20.6% of total turnover of the Group.

During the Reporting Period, to the knowledge of the Directors, none of the Directors, their close associates, or Shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the number of issued Shares of the Company) had interests in the five largest suppliers or customers of the Company.

Report of the Directors

Directors

The following is the list of Directors during the Reporting Period and up to the date of this annual report (unless otherwise stated).

Executive Directors

Mr. Yi LIU *(Chairman)*
Mr. Lior Moshe DAYAN *(Chief Executive Officer)\
(appointed on June 6, 2017)*
Mr. Jianping HUA *(appointed on March 19, 2018)*

Non-executive Directors

Mr. Yifang WU
Mr. Yao WANG
Ms. Yang YANG *(appointed on March 19, 2018)*
Mr. Chun LI *(resigned on March 19, 2018)*
Ms. Yu HU *(resigned on March 19, 2018)*

Independent non-executive Directors

Mr. Heung Sang Addy FONG
(appointed on August 30, 2017)
Mr. Chi Fung Leo CHAN *(appointed on August 30, 2017)*
Ms. Jenny CHEN *(appointed on August 30, 2017)*
Mr. Kai Yu Kenneth LIU *(appointed on August 30, 2017)*

In accordance with the Articles of Association, Mr. Jianping HUA, Mr. Yifang WU, Ms. Yang YANG and Mr. Kai Yu Kenneth LIU will retire at the forthcoming AGM and being eligible, offer themselves for re-election.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Company are set out on pages 47 to 53 of this annual report.

Directors' Service Contracts

Each of the Directors (except for Mr. Jianping HUA and Ms. Yang YANG) has entered into a letter of appointment with the Company for a period commencing on the Listing Date and ending on August 30, 2020, subject to the provision of retirement and rotation of Directors under the Articles of Association.

Each of Mr. Jianping HUA and Ms. Yang YANG has entered into a letter of appointment with the Company for a period commencing on March 19, 2018 and ending on August 30, 2020, subject to the provision of retirement and rotation of Directors under the Articles of Association.

None of the Directors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Remuneration Policy

The remuneration policy of the Group is set out in the section headed "Management Discussion and Analysis" on page 25 of this annual report.

Details of the remuneration to Directors and chief executives, senior management and the five highest paid employees are set out in notes 8 and 9 to the financial statements.

Directors' Interests in Transactions, Arrangements and Contracts of Significance

Save as disclosed in the section headed "Related Party Transactions", there is no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in the Reporting Period was a Director or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the Reporting Period or at the end of the Reporting Period.

Pension Scheme

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred. The Group's pension cost charged to the Statement of profit or loss for the Reporting Period was US$0.8 million.

Management Contract

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Directors' Rights to Acquire Shares or Debentures

Except as disclosed in this annual report, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the Reporting Period or at the end of the Reporting Period.

Directors' Interest in Competing Business

Except Mr. Yifang WU and Mr. Yao WANG, who are our non-executive Directors and also the directors of CML, none of the Directors is interested in any businesses apart from the Group's business which competes with or is likely to compete, either directly or indirectly, with the Group's business. CML, a subsidiary of Fosun Pharma, acts as agent or distributor in the PRC for a broad range of medical devices (including products relating to the imaging, aesthetics, surgery, dermatology, oncology and dental segments).

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at December 31, 2017, the interest and/or short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

(a) The Company

Name of Director	Capacity and nature	Number of Shares held	Percentage of shareholding in the Shares
Lior Moshe DAYAN	Beneficial owner (Personal)	36,000	0.01%

(b) Associated corporation of the Company

Name of Director	The company in which the interests are held	The class of shares	Capacity and nature	Number of shares held	Percentage of shareholding in the relevant class of shares
Yifang WU	Fosun Pharma	H shares	Beneficial owner (Personal)	312,000	0.06%
		A shares	Beneficial owner (Personal)	683,900	0.03%
Yao WANG	Fosun Pharma	A shares	Beneficial owner (Personal)	50,000	0.002%
Chun LI[1]	Fosun Pharma	A shares	Beneficial owner (Personal)	233,000	0.01%

Note:

(1) Mr. Chun LI resigned as a non-executive Director on March 19, 2018.

Interests and Short Positions of Substantial Shareholders In Shares and Underlying Shares

As at December 31, 2017, so far as is known to the Directors, the persons or entities, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate Percentage (%)
Chindex Medical Limited	Legal and beneficial interest	127,318,640(L)[1]	28.79%
Ample Up Limited[2]	Legal and beneficial interest	106,264,160(L)	
	Interest in controlled corporation	127,318,640(L)	
		233,582,800(L)	52.83%
Fosun Pharma[3]	Interest in controlled corporation	233,582,800(L)	52.83%
Shanghai Fosun High Technology (Group) Co., Ltd.[4]	Interest in controlled corporation	233,582,800(L)	52.83%
Magnificent View Investments Limited	Legal and beneficial interest	96,976,000(L)	21.93%
Pramerica-Fosun China Opportunity Fund, L.P.[5]	Interest in controlled corporation	96,976,000(L)	21.93%
Fosun Equity Investment Ltd.[6]	Interest in controlled corporation	96,976,000(L)	21.93%
Fosun Industrial Holdings Limited[7]	Interest in controlled corporation	96,976,000(L)	21.93%
Fosun International Limited[8]	Interest in controlled corporation	330,558,800(L)	74.76%
Fosun Holdings Limited[9]	Interest in controlled corporation	330,558,800(L)	74.76%
Fosun International Holdings Ltd.[10]	Interest in controlled corporation	330,558,800(L)	74.76%
Mr. Guangchang GUO[11]	Interest in controlled corporation	330,558,800(L)	74.76%

Notes:

(1) (L): Long Positions

(2) CML is wholly owned by Ample Up. Ample Up is deemed to be interested in the Shares in which CML is interested as legal and beneficial owner.

(3) Ample Up is wholly owned by Fosun Pharma and its wholly-owned subsidiary, Fosun Industrial Co., Limited. Accordingly, Fosun Pharma is deemed to be interested in an aggregate holding of 233,582,800 Shares which Ample Up is interested in, comprising 106,264,160 Shares held by Ample Up and 127,318,640 Shares held by CML.

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

(5) Magnificent View is wholly owned by Pramerica-Fosun Fund. Pramerica-Fosun Fund is deemed to be interested in the Shares in which Magnificent View is interested as legal and beneficial owner.

(6) Fosun Equity Investment is the general partner of Pramerica-Fosun Fund. Fosun Equity Investment is deemed to be interested in the Shares in which Pramerica-Fosun Fund is deemed to be interested.

(7) Fosun Equity Investment is wholly owned by Fosun Industrial Holdings Limited. Fosun Industrial Holdings Limited is deemed to be interested in the Shares in which Fosun Equity Investment is deemed to be interested.

(8) Fosun High Tech and Fosun Industrial Holdings Limited are both wholly owned by Fosun International. Fosun International is deemed to be interested in the Shares in which Fosun High Tech and Fosun Industrial Holdings Limited are deemed to be interested.

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

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

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

Save as disclosed herein, there is no other person known to the Directors or chief executive of the Company who, as at December 31, 2017, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 under Part XV of the SFO or who is, directly or indirectly, interested in 5% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Permitted Indemnity

Pursuant to the Company's Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the directors of the Company and its subsidiaries.

Share Option Scheme

The Company adopted a share option scheme on June 29, 2015, which has been terminated immediately upon the listing of the Shares on the Main Board of the Stock Exchange on September 19, 2017. The Company did not grant any options under such share option scheme.

Equity-Linked Agreements

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Group during the Reporting Period or subsisted at the end of the Reporting Period.

Sufficiency of Public Float

Based on the information publicly available to the Company and to the best knowledge of the Directors, during the period from the Listing Date and up to the date of this annual report, the Company has maintained sufficient public float since the Listing Date as required by the Listing Rules.

Pre-Emptive Rights

There are no provisions for pre-emptive rights in the Articles of Association or under the applicable laws of Israel where the Company is incorporated.

Donations

During the Reporting Period, the Group made donations of HK$1 million.

Connected Transactions

During the Reporting Period, the Company has not entered into or conducted any connected transactions, which were subject to the reporting, announcement or independent shareholders'' approval requirements as required under the Listing Rules.

Related Party Transactions

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 35 to the financial statements. The related party transactions disclosed in note 35 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

Non-competition Undertaking

The Company has entered into a non-compete deed dated August 30, 2017 with Fosun Pharma to ensure a clear delineation between the respective businesses of the Group and the Remaining Fosun Pharma Group with effect from the Listing Date (the "Non-Compete Deed").

Fosun Pharma has provided the Company with an annual confirmation regarding its compliance with the terms of the Non-compete Deed. The independent non-executive Directors have performed an annual review and confirmed that they are not aware of any circumstances which indicate that Fosun Pharma is not in compliance with non-compete undertakings given by it in the Non-compete Deed.

Contract of Significance

Save as disclosed in this annual report, at no time during the Reporting Period had the Company or any of its subsidiaries entered into any contract of significance with the Controlling Shareholders or any of their subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholders or any of their subsidiaries to the Company or any of its subsidiaries.

Use of Proceeds from the Initial Public Offering

Total net proceeds from the Global Offering amounted to approximately HK$771.3 million. As at the end of the Reporting Period, approximately HK$143.5 million has been used in accordance with the plan as disclosed in the Prospectus, comprising HK$78 million and HK$65.5 million used to repay bank loans and general working capital purposes, respectively.

Subsequent Events

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

Compliance with Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the Reporting Period, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

Environmental Policies and Performance

The Company is committed to the sustainable development of the environment and the society. In recognition of the potential climate impact due to manufacturing of the Company's products, the Company strives to enhance the environmental performance of its products manufacturing and development through eco-friendly operational measures as well as supporting a number of external charters with regard to energy efficiency and carbon reduction. In addition, during the Reporting Period, the Group had continually increased investment in upgrading its technology, improved production process. The Group constantly strengthened environment protection and optimized the production process for the purposes of energy saving, emission reduction and environment protection. The Group emphasized harmonious development with nature to protect the sustainable development of the environment.

Further information on the Company's environmental policies and performance is set out in the ESG Report on pages 134 to 155 of this annual report.

Significant Legal Proceedings

For the year ended December 31, 2017, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

Relationship with Stakeholders

The Company recognizes that its employees, customers and business partners are keys to its sustainability journey. The Company has been striving to achieve corporate sustainability through engaging its employees, providing quality services for its customers, collaborating with business partners and supporting our community.

The Company places significant emphasis on human capital. The Company provides a fair workplace, promoting non-discrimination and diversity to its staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. The Company administers its employee health and safety management system and ensures the adoption of the principles across the Group. The Company provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organizations.

To enhance customer satisfaction and promote a customer-oriented culture within the Company, the Company takes "Customer First" as one of its core values. It values the feedback from customers through daily communication, regular meeting and etc. It has also established the mechanism about customer service, support and complaints. When dealing with a customer complaint, the Company treats it as an opportunity to improve its relationship with the customer, addressing the concern in a timely manner and in accordance with international standards.

The Company believes that its suppliers are equally important in driving quality delivery of its products. It proactively collaborate with its business partners (including suppliers and contractors) to deliver quality sustainable products and services.

Auditors

The financial statements of the Group have been audited by Ernst & Young.

A resolution to re-appoint Ernst & Young as the auditors of the Company and to authorize the Directors to fix its remuneration will be proposed at the forthcoming AGM.

On Behalf of the Board
Yi LIU
Chairman

Shanghai, PRC, March 19, 2018

Corporate Governance Report

The shares of the Company were listed on the Stock Exchange on the Listing Date. The Board hereby presents to the Shareholders the corporate governance report for the period from the Listing Date to December 31, 2017.

Corporate Governance Practices

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, the Company has complied with all the applicable principles and code provisions of the CG Code since the Listing Date.

Model Code for Securities Transactions

The Company has adopted Directors' and Chief Executive Officer's Dealing Policy which is no less exacting than the required standard pursuant to the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have fully complied with the relevant requirements set out in its own code of conduct since the Listing Date.

Board of Directors

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board of the Company comprises the following Directors for the period from the Listing Date to December 31, 2017:

Executive Directors

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

Non-executive Directors

Mr. Yifang WU
Mr. Chun LI
Mr. Yao WANG
Ms. Yu HU

Independent Non-executive Directors

Mr. Heung Sang Addy FONG *(also External Director)*
Mr. Chi Fung Leo CHAN *(also External Director)*
Ms. Jenny CHEN
Mr. Kai Yu Kenneth LIU

On March 19, 2018, Mr. Chun LI and Ms. Yu HU resigned as non-executive Directors while Mr. Jianping HUA and Ms. Yang YANG were appointed as an executive Director and a non-executive Director respectively.

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 47 to 53 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Yi LIU and Mr. Lior Moshe DAYAN respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the period from the Listing Date to December 31, 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of 3 years, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the next annual general meeting after appointment.

Under the Articles of Association of the Company, the Directors of the Company (other than any External Directors elected pursuant to the Israeli Companies Law) shall be divided by the Board into three groups, designated as group I, group II and group III. Each group of Directors shall consist, as nearly as possible as determined by the Board, of one-third of the total number of Directors constituting the entire Board (excluding the External Directors). The first term of office of the group I Directors shall expire at the annual general meeting occurring in 2018; the first term of office of the group II Directors shall expire at the annual general meeting in 2019; and the first term of office of the group III Directors shall expire at the annual general meeting in 2020. Any Director whose term has expired (upon the expiring of the term of such Director's group) may be re-elected to the Board.

On 19 March 2018, Mr. Chun LI and Ms. Yu HU resigned as non-executive Directors, and Mr. Jianping HUA and Ms. Yang YANG have been appointed as an executive Director and a non-executive Director respectively. In accordance with the Articles of Association, Mr. Jianping HUA and Ms. Yang YANG will retire and being eligible, offer themselves for re-election at the Annual General Meeting.

In accordance with Articles 41(c) and (d) of the Articles of Association of the Company, Mr. Jianping HUA, Mr. Yifang WU and Mr. Kai Yu Kenneth LIU, being the group I Directors, will retire and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting for a term of office expiring on the third Annual General Meeting next succeeding such re-election. Ms Yang YANG, being group II Director, will retire and being eligible, offer herself for re-election as a Director for the remaining period of term of office of group II Directors in accordance with Article 41(g) of the Articles of Association (i.e. expiring at the AGM in 2019).

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

As the time of listing of the Company's shares is relatively short, only several Directors have participated in continuous professional development program during the period from the Listing Date to December 31, 2017. However, the Company understands that Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The record of CPD relating to director's duties and regulatory and business development that have been received by the Directors for the period from the Listing Date to December 31, 2017 are summarized as follows:

Name of Directors	Type of Training
Executive Directors	
Mr. Yi LIU	A/B
Mr. Lior Moshe DAYAN	A/B
Non-executive Directors	
Mr. Yifang WU	A/B
Mr. Chun LI	A/B
Mr. Yao WANG	A/B
Ms. Yu HU	A/B
Independent Non-executive Directors	
Mr. Heung Sang Addy FONG	A/B
Mr. Chi Fung Leo CHAN	A/B
Ms. Jenny CHEN	A/B
Mr. Kai Yu Kenneth LIU	A/B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 156.

Audit Committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee normally meets at least twice a year for reviewing the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the period from the Listing Date to December 31, 2017, the Audit Committee held one meeting to review the interim results of the Company for the six months ended June 30, 2017 and relevant scope of works.

The Audit Committee also met the external auditors once without the presence of the Executive Directors.

Remuneration Committee

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee normally meets at least once to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters. As the time of the listing of the Company's shares is relatively short, there was no meeting held by the Remuneration Committee during the period from the Listing Date to December 31, 2017.

Details of the remuneration of the Directors and senior management by band are set out in note 8 to the financial statements for the year ended December 31, 2017.

Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee normally meets at least once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the annual general meeting. As the time of the listing of the Company's shares is relatively short, there was no meeting held by the Nomination Committee during the period from the Listing Date to December 31, 2017.

Attendance Records of Directors

Since the Company's shares were only listed on September 19, 2017, the Company held only one Board meeting and one Audit Committee meeting during the period from the Listing Date to December 31, 2017.

The attendance record of each Director at the Board and Board Committee meetings and the Annual General Meeting of the Company held during the period from the Listing Date to December 31, 2017 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Mr. Yi LIU	1/1		0/0	0/0	0/0
Mr. Lior Moshe DAYAN	1/1				0/0
Mr. Yifang WU	0/1				0/0
Mr. Chun LI	1/1				0/0
Mr. Yao WANG	0/1				0/0
Ms. Yu HU	1/1				0/0
Mr. Heung Sang Addy FONG	1/1	1/1	0/0	0/0	0/0
Mr. Chi Fung Leo CHAN	1/1	1/1	0/0	0/0	0/0
Ms. Jenny CHEN	1/1	1/1			0/0
Mr. Kai Yu Kenneth LIU	1/1				0/0

The Company will schedule at least four regular Board meetings each year and such number of Board committee meetings as required under the respective terms of reference to carry out the functions of the Board Committees. Meeting will also be arranged between the chairman and the non-executive Directors (including independent non-executive Directors without the presence of executive Directors.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. Highlights of the Company's internal control and risk management systems include the following:

- The Company's risk management and internal control systems have been developed so as to allow the Company to maintain the highest standard corporate governance and to identify and mitigate any potential risks.
- The Company has appointed an internal auditor in accordance with the Israeli law requirements.. The role of the internal auditor is to examine, among other things, our compliance with applicable law and orderly business procedures. The Audit Committee will also oversee the activities and to assess the performance of the internal auditor as well as review the internal auditor's work plan. The internal auditor will report its findings to the Audit Committee.
- The senior management of the Company conducts internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with relevant staff of the Company, assessed the likelihood of risk occurrence, monitor the risk management progress, and reports to the Audit Committee and the Board on all findings and the effectiveness of the systems.
- In addition, the Company has adopted a Corporate Governance Manual to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions, notifiable transactions, inside information and securities transactions by the Directors. The Company has designated team to monitor its compliance with Listing Rules and other applicable laws and regulations.
- The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Such policy was set out in the Corporate Governance Manual adopted by the Company. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended December 31, 2017, and considered that such systems are effective and adequate. The annual review also covered the financial reporting.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 54 to 60.

Auditor's Remuneration

The remuneration paid to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended December 31, 2017 amounted to US$278,000 and US$167,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2017 is set out below:

Service Category	Fees Paid/Payable
Audit Services	US$278,000
Non-audit Services	
– Tax Services	US$167,000
– Others	—
	US$445,000

Company Secretary

The Company has engaged Tricor Services Limited, external service provider, and Ms. LO Yee Har Susan has been appointed as the company secretary of the Company. Its primary contact person at the Company is Mr. Jianping HUA, the chief financial officer of the Company.

Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 26 of the Company's Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting in Hong Kong or elsewhere, if permitted under applicable law or the Listing Rules, and at such time as may be determined by the Board, and shall be obligated to do so upon a requisition in writing in accordance with Sections 63(b) (1) or (2) and 63(c) of the Israeli Companies Law. Moreover, where the Israeli Companies Law refers to the right of a Shareholder to convene an extraordinary general meeting, such provisions will apply to any public investor, as if such person were a Shareholder as defined herein, mutatis mutandis.

Putting Forward Proposals at General Meetings

Pursuant to Article 27(a) of the Company's Articles of Association, a Shareholder (including two or more Shareholders that are acting in concert) holding one percent or more of the outstanding voting rights in the Company (a "Proposing Shareholder") may request, subject to Section 66(b) of the Israeli Companies Law and the regulations promulgated thereunder, that the Board include a proposal on the agenda of a general meeting to be held in the future, provided that the Proposing Shareholder gives timely notice of such request in writing (a "Proposal Request") to the Company and the Proposal Request complies with all the requirements of the Articles of Association and applicable law and the Listing Rules. To be considered timely, a Proposal Request must be delivered, either in person or by certified mail, postage prepaid, and received at the principal executive office of the Company, by the applicable deadline under the Israeli Companies Law as amended from time to time, namely, no later than seven days from the notice of a general meeting whose agenda includes items that require a 35-day prior notice, and no later than three days from the notice of any other general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 14 Halamish Street, Caesarea Industrial Park, Caesarea 38900, Israel
Email: info@sisram-medical.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at 972-4-6275357 for any assistance.

Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through Annual General Meetings and other general meetings. At the Annual General Meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the period from the Listing Date to December 31, 2017, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Biographical Details of Directors and Senior Management

Board of Directors

Executive Directors

Mr. Yi LIU (劉 毅), aged 42, was appointed as the Chairman and an executive Director of the Company on April 14, 2016.

Mr. Liu joined the Group in April 2016 and has served as a Director since then. Mr. Liu was the chief technology officer of the medical devices division of Fosun Pharma from November 2015 to December 2016, and has been a vice president of Fosun Pharma since January 2017.

Prior to joining the Fosun Pharma Group, Mr. Liu served as a civil servant at the State Food and Drug Administration of China from July 2000 to August 2004. He served as deputy head of the Beijing Medical Equipment Laboratory (北京市醫療器械檢驗所) from September 2004 to May 2007 and was responsible for the quality system management and regulatory matters with the State Food and Drug Administration of China. He served as the head of that laboratory from May 2007 to November 2015 and was responsible for the overall management of the institute, including strategic planning, government relations and regulatory matters.

Mr. Liu obtained a bachelor's degree of Engineering from Beijing Institute of Technology (北京理工大學) in the PRC in July 1998. He graduated from the Chinese Academy of Governance (國家行政學院) in the PRC in July 2000 and obtained a master's degree in Management from Peking University (北京大學) in the PRC in January 2006. Mr. Liu has been a registered assessor under China National Accreditation Service for Conformity Assessment since April 2013.

Mr. Lior Moshe DAYAN, aged 48, was appointed as Chief Executive Officer and an executive Director of the Company on June 6, 2017. Mr. Dayan has been the Senior Vice President of Global Sales and Managing Director of the German subsidiary of the Group since April 2011.

He is responsible for the direction and management of all sales, marketing and business development operations, including market competitiveness, pricing, compensation, distribution and sales channel strategy. He was the senior director in charge of the Asia-Pacific markets of Alma Lasers from September 2008 to December 2010 and the vice president of sales and marketing of Alma Lasers European and APAC markets from November 2010 to April 2011.

Mr. Dayan has 16 years of experience in the laser industry with operational, logistic, financial and sales expertise, 10 of which were in Asia. Prior to joining the Group, he served in several managing positions at Lumenis Ltd. from September 2001 to September 2008, including sales director of the European and West African markets, sales and marketing regional manager of the countries in South East Asia, director of supply chain and financial director in the medical business unit. Prior to his time in the medical devices industry, Mr. Dayan held several senior financial positions in the hi-tech telecommunications industry from 1996 until 2001, when he acted as the cost of goods and profit controller of ECI Telecom Israel from 1996 to 1998 and the director of cost of goods and inventory control of ECI Telecom Israel from 1998 to 2001.

Mr. Dayan obtained a bachelor's degree in Economics and Logistics from Bar Ilan University in Israel in June 1997 and obtained a Master of Business and Administration from the Israeli branch of Manchester University in November 1999.

Biographical Details of Directors and Senior Management

Mr. Jianping HUA (華劍平), aged 36, was appointed as an executive Director of the Company on March 19, 2018.

Mr. Hua has been the Chief Financial Officer and Secretary to the Board of the Company since February 2014. He is responsible for the financial operation, board administrative matters and financing and investment activities of the Group. Mr. Hua has more than 10 years professional financial and investment experience. He held a number of positions comprising vice director of financial audit, director of financial audit and deputy general manager of the finance department of Fosun Pharma since February 2011 and is currently the vice chief financial officer of Fosun Pharma and the vice president of Medical Technology Division of Fosun Pharma. Prior to joining Fosun Pharma, Mr. Hua worked as an audit manager in PricewaterhouseCoopers from August 2005 to February 2011.

Mr. Hua obtained a bachelor's degree in English from Shanghai University (上海大學) in the PRC in July 2005.

Non-executive Directors

Mr. Yifang WU (吳以芳), aged 48, was appointed as a non-executive Director of the Company on October 17, 2016.

Mr. Wu joined the Fosun Pharma Group in April 2004 and is currently the executive director, president and chief executive officer of Fosun Pharma. Mr. Wu was a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠), now known as Jiangsu Wanbang Biopharmaceutical Company Limited (江蘇萬邦生化醫藥集團有限責任公司) ("Jiangsu Wanbang"), from June 1987 to April 1997, a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州(萬邦)生物化學製藥廠), now known as Jiangsu Wanbang, from April 1997 to December 1998, the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司), now known as Jiangsu Wanbang, and a deputy general manager of Jiangsu Wanbang from December 1998 to March 2007 and the president of Jiangsu Wanbang from March 2007 to April 2011 and has been the chairman and CEO of Jiangsu Wanbang since April 2011.

Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) in the PRC majoring in international commerce in 1996 and obtained a master degree in business administration from Saint Joseph's University in the United States in 2005.

Mr. Chun LI (李　春), aged 54, was appointed as a non-executive Director of the Company in June 2013.

Mr. Li was the chairman of the supervisory committee of Fosun Pharma from June 2016 to January 2018. He joined the Fosun Pharma Group in March 2013 and served as senior vice president of Fosun Pharma from March 2013 to April 2016.

Prior to joining the Fosun Pharma Group, Mr. Li successively held the posts of recruiting specialist and human resources manager of Xian-Janssen Pharmaceutical Ltd. (西安楊森製藥公司) from July 1988 to April 1993. During the period from April 1993 to April 1995, he successively held the posts of deputy general manager of Xian Meadow Gold Foodstuff Co., Ltd. (西安美登高食品有限公司), a subsidiary of Meadow Gold Investment (US) Co., Ltd., and general manager of Chengdu Meadow Gold Foodstuff Co., Ltd. (成都美登高食品有限公司). He was the human resources manager of Quaker (China) Ltd. (桂格中國公司) in the China region from April 1995 to April 1998, the human resources director of Pillsbury (China) Ltd. (品食樂中國有限公司) from April 1998 to November 2001, the human resources director of China business department of Trane Air-Conditioning from November 2001 to March 2005, and the vice president in charge of human resources of Goodbaby International Holdings Limited (好孩子國際控股有限公司) (stock code: 1086. HK) from April 2005 to February 2013.

Mr. Li obtained a bachelor's degree of education from the Department of Psychology in East China Normal University (華東師範大學) in the PRC in July 1988.

Mr. Li resigned as a non-executive Director of the Company on March 19, 2018.

Mr. Yao WANG (汪曜), aged 44, was appointed as a non-executive Director of the Company in April 2016.

Mr. Wang is a vice president of Fosun Pharma, a position he has held since September 2014.

Mr. Wang began his career as field management engineer of Shanghai Automotive Casting Plant of SAIC Motor Corporation Limited (上海汽車集團股份有限公司上海汽車鑄造總廠) from July 1995 to January 1998, the senior project manager of the strategic investment committee of D'Long International Strategic Investment Company (德隆國際戰略投資有限公司) from November 1999 to March 2001, the vice general manager of Zhongqi Asset Custody Co., Ltd. (中企資產託管有限公司), a subsidiary of D'Long International Strategic Investment Company from April 2001 to May 2004, and the manager of the investment department of Hongpu Investment Holdings (China) Co., Ltd. (宏普投資控股(中國)有限公司) from June 2004 to April 2006.

He was the director in merger and acquisitions of Asian-Pacific Region of PENTAIR LTD (stock code: PNR. NY), from April 2006 to May 2011, during which he was concurrently the general manager of Beijing Pentair-Jieming Environmental Protection Equipment Co., Ltd. (北京濱特爾潔明環保設備有限公司), an affiliate of PENTAIR LTD, from June 2009 to August 2010, and vice president of group investment and asset management of Suntech Power Holdings Co., Ltd. (stock code: STP. NY), from May 2011 to July 2014.

Mr. Wang obtained a bachelor's degree in metal casting from Shanghai University (上海大學) in the PRC in July 1995 and a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in April 2000.

Ms. Yu HU (胡 羽), aged 44, was appointed as a non-executive Director of the Company in November 2014.

Ms. Hu has been the managing director of Pramerica-Fosun Fund and China Momentum Fund LP (中國動力基金) since September 2013. She has also been the deputy general manager of the healthcare consumer goods business division of Fosun Healthcare Holdings since June 2016.

Prior to joining the Fosun International group, Ms. Hu was assistant vice president of the Government of Singapore Investment Corporation from June 1998 to July 2002, the founder and general manager of Shanghai Mulan Fashion Co. Ltd (上海牧蘭商貿有限公司) from November 2002 to August 2004 and the managing director of Milestone Capital from August 2004 to August 2013.

Ms. Hu obtained a bachelor's degree in mechanical engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 1995 and a master's degree from the School of Management from Shanghai Jiao Tong University (上海交通大學) in the PRC in April 1998.

Ms. Hu resigned as a non-executive Director of the Company on March 19, 2018.

Ms. Yang YANG (楊陽), aged 40, was appointed as a non-executive Director of the Company on March 19, 2018.

Ms. Yang has been the human resources deputy general manager of Fosun Pharma since September 2016. Ms. Yang was the senior manager of Sincere Holding Group Co., Ltd. (協信控股集團) in charge of matters relating to employees' performance and development and the human resources manager of Sino-Singapore Interconnection Investment Fund Management Co., Ltd. (中新互聯互通投資基金管理有限公司) from March 2016 to September 2016. Previously, she worked as the human resources manager from February 2014 to January 2016 and the assistant to the chairman of the board of directors from January 2015 to April 2015, respectively, of Zhongtai Hengyuan Industrial Co., Ltd. (中太恒源實業有限公司), a partner of Peking University Management Consulting Co., Ltd. (北大縱橫管理諮詢有限公司) responsible for human resources related consultation from December 2008 to November 2013, and a purchasing representative for supply chain management of Shanghai Siemens Mobile Communications Company (上海西門子移動通訊公司) from September 2004 to September 2008.

Ms. Yang obtained a bachelor's degree in Computer Science and Technology from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in July 2000, a master's degree in Electronic Commerce from the University of Wyoming in the United States in August 2004 and a doctor's degree in Corporate Management from the Swiss Federal Institute of Technology Zurich in September 2008.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Mr. Heung Sang Addy FONG (方 香 生), aged 58, was appointed as an independent non-executive Director of the Company on August 30, 2017.

Mr. Fong has more than 20 years of audit, financial and capital market experiences. Mr. Fong has been a managing director of Bonus Eventus Securities Limited since April 2015 and the financial director (chief financial officer) of Adlai Nortye Biopharma Co., Ltd. (stock code: 870946. NEEQ). Previously, he served as chief financial officer of China Harmony Auto Holding Limited (stock code: 3836. HK) from October 2012 to March 2015, chief financial officer of Chendu CYPCO Biotechnology Co., Ltd. from August 2011 to October 2012, director and chief financial officer of China Electric Motor, Inc. (delisted from NASDAQ in June 2011) from January 2010 to May 2011, director and chief financial officer of Apollo Solar Energy Inc. (stock code: ASOE.PK) from February 2009 to March 2010 and the executive vice president of the corporate development of Fuqi International, Inc. (delisted from NASDAQ in March 2011) from December 2006 to January 2009.

In addition, Mr. Fong also acted as an independent director of various listed companies. He was an independent director of Universal Technologies Holdings Ltd (stock code: 1026.HK) from July 2006 to June 2013, an independent director of China Housing and Land Development, Inc. (delisted from NASDAQ in March 2016) from September 2010 to April 2014, an independent director and chairman of the audit committee of Kandi Technologies Group Inc (stock code: KNDI.NASDAQ) from July 2007 to June 2011, and an independent director and chairman of the audit committee of Diguang International Development Co., Ltd. (stock code: DGNG.PK).

Mr. Fong obtained a master's degree of business administration from the University of Nevada, Reno, in the United States in December 1989 and a master's degree in science from the University of Illinois, Champaign, in the United States in June 1993. He is a member of the American Institute of Certified Public Accountants, the Hong Kong Institute of Certified Public Accountants and the State Board of Accountancy of Washington State.

Mr. Chi Fung Leo CHAN (陳 志 峰), aged 38, was appointed as an independent non-executive Director of the Company on August 30, 2017.

Mr. Chan has been the managing director of Red Solar Capital Limited since October 2017. Previously, he served as the managing director of LY Capital Limited from May 2016 to October 2017. He also served as deputy managing director of V Baron Global Financial Services Limited from May 2015 to April 2016, director of the corporate finance team of CITIC Securities International in Hong Kong from December 2011 to April 2015, manager of the consumer team and corporate financing team of BNP Paribas in Hong Kong and Paris from August 2007 to December 2011, associate of the corporate financing team of CCB International Capital Limited in Hong Kong from July 2006 to July 2007, the officer of corporate financing team of Kingsway Group in Hong Kong from January 2005 to June 2006 and staff accountant of the audit group of Ernst & Young Hong Kong from September 2001 to March 2004, respectively.

Mr. Chan obtained a bachelor of business administration with a major in Accounting from the Hong Kong University of Science and Technology in Hong Kong in November 2001. Mr. Chan was admitted as a member of the Hong Kong Institute of Certified Public Accountants in October 2005.

Ms. Jenny CHEN (陳 怡 芳), aged 38, was appointed as an independent non-executive Director of the Company on August 30, 2017.

Ms. Chen has more than 14 years' experience in the legal profession. She co-founded CFN Lawyers, a Hong Kong law firm in association with Broad & Bright in January 2013 and is currently a partner of the firm. Prior to that, she worked as a corporate associate in Maples and Calder (Hong Kong) LLP from January 2012 to January 2013, an associate general counsel of American International Assurance Company, Limited from September 2009 to May 2011, and a corporate associate in DLA Piper Hong Kong from July 2006 to September 2009. She also worked at Woo Kwan Lee & Lo from July 2002 to June 2006 with her last position as an assistant solicitor.

Ms. Chen obtained her LL.B degree from the Law School of the University of Hong Kong in November 2001 and completed her Postgraduate Certificate in Laws (PCLL) at the same university in June 2002.

Ms. Chen was admitted to practice as a solicitor in Hong Kong in September 2004 and a solicitor in England and Wales in September 2005, respectively.

Mr. Kai Yu Kenneth LIU (廖啟宇), aged 48, was appointed as an independent non-executive Director of the Company on August 30, 2017.

Mr. Liu worked with Hong Kong Exchanges and Clearing Limited (stock code: 388.HK) from June 2004 to October 2016, in his last position as assistant vice president in IPO Transactions, Listing & Regulatory Affairs Division. Prior to that, he worked with VC CEF Capital Limited (now known as VC Capital Limited) from September 2000 to May 2003, in his last position as an assistant manager in the corporate finance department. He also worked as an audit officer in the internal audit department of Kowloon-Canton Railway Corporation from January 2000 to September 2000, an assistant manager of the audit and control division of the Hong Kong branch of Banque Nationale de Paris from August 1996 to September 1997, an accountant of Ernst & Young from August 1994 to May 1996 and a junior accountant in the audit department of Kwan Wong Tan & Fong (merged with Deloitte Touche Tohmatsu in 1997) from May 1994 to August 1994.

Mr. Liu obtained a bachelor of engineering degree in mechanical engineering from the Imperial College of Science, Technology and Medicine of the University of London in August 1991 and a master of business administration degree in international banking and finance from the University of Birmingham in December 1998. Mr. Liu has been a member of the HKICPA since July 1999 and a fellow of the Association of Chartered Certified Accountants since April 2004.

Senior Management of the Group

Mr. Ronen LAZAROVICH, aged 47, was the Chief Operating Officer of the Group from March 2011 to March 2018.

Mr. Lazarovich joined the Group in June 2006 and served as Vice President of Operations from June 2006 to March 2011. Mr. Lazarovich was responsible for operations and supply chain management, information technology, outsourcing, maintenance, purchasing, warehousing, production, quality assurance, logistics and regulations.

Mr. Lazarovich has over 10 years' experience in the lasers industry with operational and logistics expertise. Prior to joining the Group, he worked as worldwide planning director for Vishay Intertechnology from January 2000 to June 2006.

Mr. Lazarovich obtained a bachelor of science in Industrial Engineering and Management from the Technion (Israel Institute of Technology) in Israel in December 1998 and a Master of Business and Administration with a Business Management Major from the Israeli branch of University of Derby in July 2002.

Mr. Ran EZIONI, aged 51, was appointed as the Chief Operating Officer of the Group on April 1, 2018.

Mr. Ezioni has over 22 years of multi-dimensional experience in the fields of global operations, supply chain management, information technology, outsourcing and service and maintenance in various industries, including the medical aesthetic industry. Prior to joining the Company, Mr. Ezioni served as a vice president of global supply chain, purchasing and information technology at Arkal Automotive, a global developer and worldwide manufacturer of solutions for the global automotive industry.

Mr. Ezioni holds a bachelor of science degree in Industrial Engineering from the Technion, the Israeli Institute of Technology, with honors, and is Certified Six Sigma Black Belt (CSSBB) by the American Society for Quality.

Mr. Nadav BAYER, aged 59, has been the Vice President of Research and Development and Engineering of the Group since October 1999. He is responsible for the direction and management of lasers software and electrical hardware team.

Mr. Bayer has more than 20 years' experience with laser electrical systems. Prior to joining the Group, Mr. Bayer worked as an electronic department manager of ESC Systems Ltd. (now known as Lumenis Ltd.) from March 1993 to October 1999.

Mr. Bayer obtained a bachelor of science in Electrical Engineering from the Technion (Israel Institute of Technology) in Israel in August 1989.

Mr. Alexander BRITVA, aged 62, has been the Vice President of Research and Development and Radio-frequency System of the Group since June 2004. He is responsible for the research and development of radiofrequency technology.

Biographical Details of Directors and Senior Management

Mr. Britva joined the Group in September 2002 and served as vice president of the Department of Radio-frequency Technology from September 2002 to June 2004. Mr. Britva has 39 years' of experience in the laser industry, including the development of CO2 lasers, radio frequency and ultrasound systems. Prior to joining the Group, Mr. Britva worked as a radio-frequency department manager of Optomic Lasers from June 2000 to January 2002.

Mr. Britva obtained a master of science degree and a PhD from Electro-technical Institute in Russia in June 1977 and May 1988, respectively. He holds 20 patents and has authored more than 30 scientific articles.

Mr. Yosef LEPZELTER, aged 62, has been the Vice President of Clinical Affairs of the Group since April 2011. He is responsible for the management of multi-disciplinary clinical affairs including the clinical validation of energy-based devices of Alma Lasers and clinical application, human clinical and pre-clinical studies, advanced clinical training seminars, key opinion physicians collaboration, scientific publications and lectures in professional meetings of Alma Lasers.

Mr. Lepzelter joined the Group in October 2003 and served as director of the Clinical Department from October 2003 to April 2011. Mr. Lepzelter has 25 years' experience in the medical and laser industry with extensive clinical, scientific and educational expertise. Prior to joining the Group, Mr. Lepselter worked at the Research Exercise Physiology Laboratory, Pulmonary Department at Beilinson Medical Center, Israel and Pulmonary Function Laboratory, Pulmonary Unit, Presbyterian Medical Center, Philadelphia, United States from January 1990 to March 1996. He was director of clinical research associates at Hesperion Ltd. from December 1999 to June 2001 and director of clinical unit at Radiancy Ltd. from June 2001 to April 2003.

Mr. Lepzelter obtained a master's degree in Exercise Physiology from Adelphi University in the United States in April 1985, and a PhD in Physiology from Temple University in the United States in May 1996. He is co-inventor of a number of the Group's patents and has published more than 40 scientific abstracts and papers on topics related to cutaneous lasers, radio frequency and ultrasound technology, and applied cardio-pulmonary medicine.

Mr. Avraham FARBSTEIN, aged 63, has been the Chief Executive Officer of the Group's North America operations since March 2013 and the Chief Strategy Officer of the Company with effect from March 19, 2018.

Mr. Farbstein joined the Group in January 2007 and served as Executive Vice President of Operations from January 2007 to October 2010 and as the General Manager of North America Operations from November 2010 to March 2013. Mr. Farbstein has more than 35 years' experience in the medical and aesthetic devices industry, beginning with his involvement in researching and developing one of the first lasers introduced into the surgical devices field. He has served in various leadership roles relating to aesthetic laser and light based products. Prior to joining the Group, Mr. Farbstein served as the vice president of operations at Sharplan/ESC Inc. from February 1988 to June 2011, and vice president of operations at Lumenis Ltd. from July 2004 to December 2006.

Mr. Farbstein attended the electrical engineering program at Tel Aviv University in Israel and subsequently obtained a bachelor of science degree in electric engineering from Tel Aviv University in Israel in May 1981.

Mr. Doron YANNAI, aged 57, has been the Vice President in charge of financial matters of the Group since February 2014.

Mr. Yannai joined the Group in March 2007 and served as director in charge of financial matters of the Group and Human Resources of Alma Lasers from March 2007 to February 2014. He is responsible for financial and human resources operations of the Group.

Mr. Yannai has more than 20 years' experience of financial management in private and public companies in various industries such as software, communications and construction. Prior to joining the Group, he was controller at Tecnomatix/Oshap from January 1991 to May 1995, the chief financial officer at Shaked Group from June 1995 to December 1996, the chief financial officer at NetFormx Ltd. from January 1997 to June 2001, the director of finance at SAP Portals from July 2001 to December 2002, and chief financial officer at WiNetworks from January 2004 to February 2007.

Mr. Yannai obtained a bachelor's degree in Economics & Labor Science from Tel Aviv University in Israel in May 1985 and a bachelor's degree in Accounting from Tel Aviv University in Israel in June 1988. He has also been a Certified Public Accountant in Israel since December 1990.

Mr. Yair Shlomo LEOPOLD, aged 63, was the Vice President of Surgical Unit of the Group from January 2013 to January 2018. He is primarily responsible for business development, introduction of new applications and clinical research of the Group.

Mr. Leopold joined the Group in January 2012 and served as Director of Surgical Business Unit of Alma Lasers from January 2012 to January 2013. Prior to joining the Group, Mr. Leopold was a product line manager in the development department of Laser Industries Ltd. from January 1983 to October 1993. He worked in the sales and marketing division of Sharplan from October 1993 to December 1997. Mr. Leopold also founded and acted as the chief executive officer of sales and marketing of Opus Dent at Lumenis Ltd. from December 1997 to December 2001. He was the vice-president of sales and marketing of Radiancy Ltd. from January 2002 to October 2004.

Mr. Leopold was the vice president of sales and marketing of Sunlight Medical Ltd. from November 2004 to June 2005, and was promoted to be its chief executive officer from June 2005 to September 2007. He was the chief executive officer of Curelight Medical Ltd. from October 2007 to January 2011, the vice president of global sales and marketing at Applisonix from November 2009 to January 2011, and the vice president of sales for west Europe at Viora Ltd. from January 2011 to January 2012.

Mr. Leopold obtained his bachelor of science degree in Electrical and Biomedical Engineering from George Washington University of Washington, DC in the United States in August 1980.

Company Secretary

Ms. Yee Har Susan LO, aged 58, was appointed as the Company Secretary of the Company on June 6, 2017.

Ms. Lo is an executive director and head of learning & development of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Lo has over 30 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lo is currently the company secretary/joint company secretary of six listed companies on the Stock Exchange, namely, Fosun Pharma (stock code: 2196.HK), Dongfeng Motor Group Company Limited (東風汽車集團股份有限公司) (stock code: 489.HK), China National Building Material Company Limited (中國建材股份有限公司) (stock code: 3323.HK), NVC Lighting Holding Limited (雷士照明控股有限公司) (stock code: 2222.HK), MicroPort Scientific Corporation (微創醫療科學有限公司) (stock code: 853.HK) and Hebei Yichen Industrial Group Corporation Limited (河北翼辰實業集團股份有限公司) (stock code: 1596.HK). She also conducts regular continuous training programs for directors and senior management of listed issuers and is an active speaker at seminars.

Ms. Lo is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Ms. Lo graduated from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University).

Independent Auditor's Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道 1 號
中信大廈 22 樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

To the shareholders of Sisram Medical Ltd
(Incorporated in Israel with limited liability)

Opinion

We have audited the consolidated financial statements of Sisram Medical Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 133, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of *Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill in the consolidated financial statements amounted to US$108,351,000 as at December 31, 2017. In accordance with IFRSs, the Company is required to perform the impairment test for goodwill at least annually. The impairment test is based on the recoverable amount of the cash-generating unit to which the goodwill is allocated to. The recoverable amount of the cash-generating unit is the higher of its fair value less costs of disposal and its value in use using cash flow projections based on a financial budget covering a five-year period. This matter is significant to our audit because the impairment test process is complex and involves significant management's judgements. The disclosures about the impairment of goodwill are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates" and note 14 "Goodwill" to the consolidated financial statements, which specifically explain the key assumptions the management used for the calculations of the recoverable amount.	We updated our understanding of the internal control over the impairment test of goodwill process, performed walkthroughs and test of controls, and assessed the effectiveness of the design of the relevant internal controls; Our substantive audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Company, in particular, discount rate and growth rate beyond a 5-year period. We paid specific attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the business development plan of the cash-generating unit. We also focused on the adequacy of the disclosures of the impairment of goodwill.

Key audit matter	How our audit addressed the key audit matter
Impairment of indefinite-life intangible asset	
The carrying value of indefinite-life intangible asset (trademarks) in the consolidated financial statements amounted to US$24,493,000 as at December 31, 2017. In accordance with IFRSs, the Company is required to perform the impairment test for indefinite-life intangible asset at least annually. The impairment test is based on the royalty saved regarding to the trademarks. The recoverable amount is the higher of its fair value less costs of disposal and its value in use using cash flow projections based on a financial budget covering a five-year period. This matter is significant to our audit because the impairment test process is complex and involves significant management's judgements. The disclosures about the impairment of indefinite-life intangible assets are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates" and note 15 "Other intangible assets" to the consolidated financial statements, which specifically explain the key assumptions the management used for the calculations of the recoverable amount.	We updated our understanding of the internal control over the impairment test of indefinite-life intangible asset process, performed walkthroughs and test of controls, and assessed the effectiveness of the design and the relevant internal controls; Our substantive audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Company, in particular, discount rate and growth rate beyond a 5-year period used in the cash flow forecast of the individual asset. We paid specific attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the product revenue plan of the individual asset. We also focused on the adequacy of the Company's disclosures of the impairment of indefinite-life intangible assets.

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of trade receivables	
The provision for impairment of trade receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and involves significant management's judgement. A considerable amount of judgment is required in assessing the ultimate realization of those receivables, including the creditworthiness and the past collection history of each customer. We focused on the provision for impairment of trade receivables due to the materiality to the consolidated financial statements and the high level of management's judgement involved. Related disclosures are included in note 2.4 "Summary of significant accounting policies, note 3 "Significant accounting judgements and estimates" and note 20 "Trade receivables" to the consolidated financial statements.	We updated our understanding of the internal control over the provision for impairment of trade receivables process, performed walkthroughs and test of controls, and assessed the effectiveness of the design and the relevant internal controls; We tested the ageing analysis of the outstanding receivables and reviewed the information prepared by the management used to determine the provision for impairment of trade receivables. We then tested overdue trade receivable balances where no provision was recognized by checking whether there were indicators of impairment. This included verifying if payments had been received since the year-end, and reviewing historical payment patterns and any correspondence with customers on expected settlement dates. We selected samples of material trade receivable balances where provisions for impairment were recognized and understood the rationale behind management's judgement. In order to evaluate the appropriateness of these judgements, we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available. We also focused on the adequacy of the disclosures of the provision for impairment of trade receivables.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Siu Fung Terence Ho*.

Ernst & Young
Certified Public Accountants
Hong Kong
March 19, 2018

Consolidated Statement of Profit or Loss

Year ended December 31, 2017

	Notes	2017 US$'000	2016 US$'000
REVENUE	5	**136,887**	118,156
Cost of sales		**(63,690)**	(55,933)
Gross profit		**73,197**	62,223
Other income and gains	5	**2,057**	719
Selling and distribution expenses		**(26,059)**	(21,380)
Administrative expenses		**(13,862)**	(12,989)
Research and development expenses		**(12,399)**	(7,307)
Other expenses		**(1,780)**	(2,438)
Finance costs	7	**(5,333)**	(6,968)
PROFIT BEFORE TAX	6	**15,821**	11,860
Income tax expense	10	**(4,772)**	(3,359)
PROFIT FOR THE YEAR		**11,049**	8,501
Attributable to:			
Owners of the parent		**11,049**	8,055
Non-controlling interests		**—**	446
		11,049	8,501
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted for profit for the year (US cents)	12	**3.88**	3.61

Consolidated Statement of Comprehensive Income

Year ended December 31, 2017

	Note	2017 US$'000	2016 US$'000
PROFIT FOR THE YEAR		**11,049**	8,501
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**581**	(210)
Effective portion of changes in fair value of hedging instruments arising during the year		**13**	—
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**594**	(210)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement loss of a defined benefit plan	30	**(439)**	(92)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(439)**	(92)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**155**	(302)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,204**	8,199
Attributable to:			
Owners of the parent		**11,204**	7,753
Non-controlling interests		**—**	446
		11,204	8,199

Consolidated Statement of Financial Position

December 31, 2017

	Notes	2017 US$'000	2016 US$'000
NON-CURRENT ASSETS			
Plant and equipment	13	**2,320**	2,353
Goodwill	14	**108,351**	108,351
Other intangible assets	15	**64,039**	67,092
Deferred tax assets	17	**5,268**	6,259
Other non-current assets	18	**139**	138
Total non-current assets		**180,117**	184,193
CURRENT ASSETS			
Inventories	19	**23,898**	21,955
Trade receivables	20	**35,249**	28,207
Prepayments, deposits and other receivables	21	**3,214**	2,966
Derivative financial instruments	22	—	187
Cash and bank balances	23	**104,137**	41,653
Total current assets		**166,498**	94,968
CURRENT LIABILITIES			
Trade payables	24	**6,742**	7,372
Other payables and accruals	25	**21,719**	15,209
Interest-bearing bank borrowings	26	**4,321**	12,246
Derivative financial instruments	22	**245**	—
Loan from a related party	27	—	9,845
Tax payable		**1,496**	2,300
Total current liabilities		**34,523**	46,972
NET CURRENT ASSETS		**131,975**	47,996
TOTAL ASSETS LESS CURRENT LIABILITIES		**312,092**	232,189
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	**6,761**	36,672
Deferred tax liabilities	17	**10,686**	12,613
Deferred income	28	**573**	634
Other long-term liabilities	29	**1,096**	141,784
Total non-current liabilities		**19,116**	191,703
NET ASSETS		**292,976**	40,486

Consolidated Statement of Financial Position

December 31, 2017

	Notes	2017 US$'000	2016 US$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**1,254**	2
Reserves	32	**291,722**	40,484
Total equity		**292,976**	40,486

Yi LIU	**Lior Moshe DAYAN**
Director	*Director*

Consolidated Statement of Changes in Equity

Year ended December 31, 2017

	Attributable to owners of the parent						
	Share capital US$'000 (note 31)	Share premium* US$'000 (note 31)	Other reserve* US$'000 (note 32)	Cashflow hedge reserves* US$'000	Exchange fluctuation reserve* US$'000	Retained earnings* US$'000	Total US$'000
At January 1, 2017	2	999	17,263	—	(551)	22,773	40,486
Profit for the year		—	—	—	—	11,049	11,049
Other comprehensive income for the year:							
Effective portion of changes in fair value of hedging instruments arising during the year	—	—	—	13	—	—	13
Exchange differences on translation of foreign operations	—	—	—	—	581	—	581
Remeasurement loss of a defined benefit plan	—	—	—	—	—	(439)	(439)
Total comprehensive income for the year	—	—	—	13	581	10,610	11,204
Capitalization issue of shares	630	(630)	—	—	—	—	—
Capitalization of Capital Notes	366	143,625	—	—	—	—	143,991
Issue of shares from initial public offering	250	100,458	—	—	—	—	100,708
Issue of shares from partial exercise of an over-allotment option	6	2,439	—	—	—	—	2,445
Share issue expenses	—	(6,125)	—	—	—	—	(6,125)
Excess of tax deduction for former share-based payment of a subsidiary	—	—	267	—	—	—	267
At December 31, 2017	1,254	240,766	17,530	13	30	33,383	292,976

Consolidated Statement of Changes in Equity

Year ended December 31, 2017

	Attributable to owners of the parent							
	Share capital US$'000 (note 31)	Share premium* US$'000 (note 31)	Other reserves* US$'000 (note 32)	Exchange fluctuation reserve* US$'000	Retained earnings* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At January 1, 2016	2	999	17,075	(341)	14,810	32,545	—	32,545
Profit for the year	—	—	—	—	8,055	8,055	446	8,501
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	(210)	—	(210)	—	(210)
Remeasurement loss of a defined benefit plan	—	—	—	—	(92)	(92)	—	(92)
Total comprehensive income for the year	—	—	—	(210)	7,963	7,753	446	8,199
Reclassification of non-controlling interests of a subsidiary embedded with put options	—	—	—	—	—	—	(446)	(446)
Fair value adjustment on non-controlling interests of a subsidiary embedded with put options	—	—	188	—	—	188	—	188
At December 31, 2016	2	999	17,263	(551)	22,773	40,486	—	40,486

* These reserve accounts comprise the consolidated other reserves of US$291,722,000 (2016: US$40,484,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended December 31, 2017

	Notes	2017 US$'000	2016 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**15,821**	11,860
Adjustments for:			
Finance costs	7	**5,333**	6,968
Bank interest income	5	**(655)**	(357)
Fair value gains from foreign exchange forward contracts not qualifying as hedges	5	**(211)**	(362)
Depreciation	6	**877**	720
Amortization of other intangible assets	6	**4,985**	4,885
Provision for impairment of trade receivables	6	**697**	611
Provision for impairment of inventories	6	**1,083**	1,090
		27,930	25,415
Increase in inventories		**(3,026)**	(1,544)
Increase in trade receivables		**(7,739)**	(6,155)
Increase in prepayments, deposits and other receivables		**(941)**	(899)
(Increase)/decrease in other non-current assets		**(1)**	12
(Decrease)/increase in trade payables		**(630)**	462
Increase in other payables and accruals		**8,033**	3,403
Decrease in deferred income		**(61)**	(72)
Decrease in other long-term liabilities		**(215)**	(80)
Cash generated from operations		**23,350**	20,542
Income tax paid		**(6,293)**	(4,529)
Net cash flows from operating activities		**17,057**	16,013
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**458**	357
Purchases of items of plant and equipment		**(769)**	(1,039)
Additions to other intangible assets		**(1,932)**	—
Increase in term deposits with original maturity of more than three months		**(42,500)**	(3,500)
Net cash flows used in investing activities		**(44,743)**	(4,182)

Consolidated Statement of Cash Flows

Year ended December 31, 2017

	Note	2017 US$'000	2016 US$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**103,153**	—
Share issue expenses		**(5,235)**	—
New loans received from a related party		—	9,690
Increase in pledged deposits		**(8)**	—
Repayment of bank loans		**(38,246)**	(10,496)
Repayment of loans received from a related party		**(10,093)**	—
Acquisition of non-controlling interests		—	(9,693)
Interest paid		**(2,056)**	(2,524)
Proceeds from settlement of foreign currency forward contracts		**656**	285
Dividends paid to non-controlling shareholders of a subsidiary		—	(314)
Net cash flows from/(used in) financing activities		**48,171**	(13,052)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**20,485**	(1,221)
Cash and cash equivalents at beginning of year		**18,105**	19,256
Effect of foreign exchange rate changes, net		**(509)**	70
CASH AND CASH EQUIVALENTS AT END OF YEAR		**38,081**	18,105
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of cash flows		**38,081**	18,105
Pledged bank balances for long-term bank loans	23	**56**	48
Term deposits with original maturity of more than three months	23	**66,000**	23,500
Cash and bank balances as stated in the consolidated statement of financial position	23	**104,137**	41,653

1. Corporate Information

Sisram Medical Ltd (the "Company" or "Sisram") is a limited liability company incorporated under the laws of the State of Israel on April 25, 2013. The registered office of the Company is located at 14 Halamish Street, Caesarea Industrial Park, Caesarea 38900, Israel.

The Company is an investment holding company. During the year, the Company's subsidiaries (together with the Company, the "Group") were mainly involved in the design, development, manufacture and sale of energy-based aesthetic medical and minimally invasive treatment systems.

On May 27, 2013, the Company acquired a 95.16% equity interest in Alma Lasers Ltd. ("Alma"), a global medical technology company incorporated in Caesarea, Israel. More details are set out in the paragraph headed "The Acquisition of the Group by the Fosun Pharma Group" in the section headed "History and Corporate Structure" in the prospectus of the Company dated September 5, 2017. On July 28, 2016, the Company acquired all the remaining shares held by the non-controlling shareholders of Alma. As a result of the transaction, and as of the date of this report, the Company held 100% of Alma's shares.

On September 19, 2017, the shares in the capital of the Company were listed on the Main Board of the Hong Kong Stock Exchange (the "Stock Exchange") ("Listing"). In connection with the Company's Listing, 88,000,000 new shares of the Company were issued and allotted at the offer price of HK$8.88 per share. On October 8, 2017, an aggregate of 2,155,600 over-allotment shares were issued and allotted by the Company at HK$8.88 per share.

In the opinion of the directors, the holding company of the Company is Ample Up Limited and the ultimate holding company of the Company is Fosun International Holdings Ltd., which are incorporated in Hong Kong and the British Virgin Islands, respectively. The ultimate controlling shareholder of the Company is Mr. Guangchang GUO.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Alma Lasers Ltd.	Israel October 5, 1999	New Israeli Shekels ("NIS") 14,000,000	100%	—	Manufacture and sale of medical equipment
Alma Lasers Inc.	United States August 1, 2005	US$10	—	100%	Distribution of medical equipment
Alma Lasers GmbH	Germany July 31, 2012	Euro25,000	—	100%	Distribution of medical equipment
Alma Lasers AT GmbH	Austria March 22, 2010	Euro35,000	—	100%	Distribution of medical equipment
Alma Medical Private Limited	India December 3, 2014	Indian Rupee ("INR") 7,500,000	—	100%	Distribution of medical equipment

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and the defined benefit plan which have been measured at fair value. The financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended December 31, 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses*
Amendments to IFRS 12 included in *Annual improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 33(b) to the financial statements.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilize a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group has no subsidiary classified as a disposal group held for sale as at December 31, 2017.

2.3 Issued But Not Yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[2]

1 Effective for annual periods beginning on or after January 1, 2018

2 Effective for annual periods beginning on or after January 1, 2019

3 Effective for annual periods beginning on or after January 1, 2021

4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

2.3 Issued But Not Yet Effective International Financial Reporting Standards (Continued)

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from January 1, 2018. The Group will not restate comparative information and will recognize any transition adjustments against the opening balance of equity at January 1, 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarized as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortized cost and to be recorded based on an expected credit loss model, either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that the provision for impairment will have no material impact upon the initial adoption of the standard.

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at January 1, 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before January 1, 2018. The Group expects that the transitional adjustment to be made on January 1, 2018 upon initial adoption of IFRS 15 will not be material. However, the expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onward. During 2017, the Group performed a detailed assessment on the impact of the adoption of IFRS 15. Based on the assessment, the Group anticipates that the adoption of IFRS 15 is unlikely to have any significant impact on revenue recognition, except for the presentation and disclosure as follows.

2.3 Issued But Not Yet Effective International Financial Reporting Standards (Continued)

The Group's principal activities consist of the manufacture and sale of medical equipment. The expected impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

(a) Presentation and disclosure

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

IFRS 16, issued in January 2016, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC -15 *Operating Leases - Incentives* and SIC -27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from January 1, 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 34 to the financial statements, at December 31, 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately US$21,900,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognized as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognized, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 Issued But Not Yet Effective International Financial Reporting Standards (Continued)

IFRIC 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognizes a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognizing the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from January 1, 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from January 1, 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Summary of Significant Accounting Policies

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 Summary of Significant Accounting Policies (Continued)

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 Summary of Significant Accounting Policies (Continued)

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	15% to 33%
Furniture and fixtures	6% to 15%
Leasehold improvements	Over the shorter of the lease terms and 10%

Where parts of an item of plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 Summary of Significant Accounting Policies (Continued)

Intangible assets (other than goodwill) (Continued)

Customer relationships

Customer relationships are stated at cost less any impairment losses and are amortized on the straight-line basis over the estimated useful lives of 14.5 years.

Trademarks

Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents and technology

Patents and technology are stated at cost less any impairment losses and are amortized on the straight-line basis over the estimated useful lives of 5 to 10 years.

License agreement

Purchased license agreement is stated at cost less any impairment losses and is amortized on the straight-line basis over the estimated useful life of 8 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Expenditure which does not meet these criteria is expensed when incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in profit or loss. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in other expenses for receivables.

2.4 Summary of Significant Accounting Policies (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings, or as derivatives designated as hedge instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings, derivative financial instruments and other long-term liabilities.

2.4 Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.4 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognized immediately in the statement of profit or loss.

Amounts recognized in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in other comprehensive income are transferred to the statement of profit or loss in the same period or periods during which the asset acquired or liability assumed affects the statement of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

2.4 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments (Continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal. Any provision for impairment of inventories is recognized within other expenses in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 Summary of Significant Accounting Policies (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

(a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant fees can be measured reliably; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Defined benefit plan

The Group's liability for severance pay for its employees is pursuant to the Israel's Severance Pay Law and is based on the most recent salary of the employees multiplied by the number of years of employment. Employees are entitled to severance pay equal to one month's salary for each year of employment, or a portion thereof. The Group's liability for its employees is provided for by monthly deposits with severance pay funds, insurance policies and by an accrual.

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

The cost of providing severance pay is determined based on the valuations performed by an independent actuary. Remeasurements arising from a defined benefit pension plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under "cost of sales", "selling and distribution expenses", "administrative expenses" and "research and development expenses" in the consolidated statement of profit or loss by function:

(a) service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements

(b) net interest expense or income

2.4 Summary of Significant Accounting Policies (Continued)

Dividends

Dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in US$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the US$. As at the end of the reporting period, the assets and liabilities of these entities are translated into US$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into US$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into US$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US$ at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2017 was US$108,351,000. Further details are given in note 14 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision policy for impairment of trade receivables

The provision policy for impairment of trade receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. Further details are given in note 20 to the financial statement.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customers' needs or competitors' actions in response to product industry cycle. Management reassesses these estimates at the end of the reporting period.

Useful lives and residual value of plant and equipment

The Group determines the estimated useful lives, residual value and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual value of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. Operating Segment Information

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

Geographical information

(a) Revenue from external customers

	2017 US$'000	2016 US$'000
Europe	37,839	32,729
North America*	33,508	31,001
People's Republic of China ("PRC")**	28,216	25,733
Asia Pacific (excluding PRC)	17,108	13,516
Latin America	14,260	8,989
Middle East and Africa	5,956	6,188
	136,887	118,156

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

** For the purpose of disclosure only, PRC excludes Hong Kong, Macau and Taiwan.

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

(b) Non-current assets

	2017 US$'000	2016 US$'000
Israel	174,508	177,616
United States	190	199
Other countries	151	119
	174,849	177,934

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

4. Operating Segment Information (Continued)

Information about a major customer

Revenue from a major customer located in China which accounted for more than 10% of the total revenue for the reporting period is as follows:

	2017 US$'000	2016 US$'000
Customer A	**28,216**	25,733

5. Revenue, Other Income and Gains

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	2017 US$'000	2016 US$'000
Revenue		
Sale of goods	**128,108**	109,826
Services and others	**8,779**	8,330
	136,887	118,156
Other income and gains		
Bank interest income	**655**	357
Foreign exchange gains, net	**1,191**	—
Fair value gains from foreign exchange forward contracts not qualifying as hedges	**211**	362
	2,057	719

6. Profit before Tax

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

	2017 US$'000	2016 US$'000
Cost of inventories sold	**44,145**	38,768
Cost of services and others	**19,545**	17,165
Employee benefit expense (including directors' and senior management's remuneration (note 8)):		
Wages and salaries	**21,083**	19,381
Listing bonus	**3,884**	—
Defined benefit plan costs	**816**	660
	25,783	20,041
Research and development expenses:		
Current year expenditure	**12,399**	7,307
Listing expenses	**2,975**	3,559
Auditors' remuneration	**445**	330
Minimum lease payments under operating leases	**1,970**	1,833
Depreciation (note 13)	**877**	720
Amortization of other intangible assets (note 15)	**4,985**	4,885
Provision for impairment of inventories	**1,083**	1,090
Provision for impairment of trade receivables (note 20)	**697**	611
Foreign exchange differences, net	**(1,191)**	737

7. Finance Costs

An analysis of finance costs is as follows:

	2017 US$'000	2016 US$'000
Interest on loans and borrowings	**2,254**	2,792
Imputed interest on long-term interest-free Capital Notes	**3,079**	4,176
	5,333	6,968

8. Directors' and Senior Management's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 US$'000	2016 US$'000
Fees	**36**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**527**	319
Performance related bonuses	—	—
Listing bonuses	**60**	—
	623	319

(a) Independent non-executive directors

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

	2017 US$'000	2016 US$'000
Mr. Heung Sang Addy FONG (i)	**9**	—
Mr. Chi Fung Leo CHAN (i)	**9**	—
Ms. Jenny CHEN (i)	**9**	—
Mr. Kai Yu Kenneth LIU (i)	**9**	—
	36	—

(i) Mr. Heung Sang Addy FONG, Mr. Chi Fung Leo CHAN, Ms. Jenny CHEN and Mr. Kai Yu Kenneth LIU were appointed as independent non-executive directors of the Company on August 30, 2017.

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

8. Directors' and Senior Management's Remuneration (Continued)

(b) Executive directors and the chief executive

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses US$'000	Listing bonuses US$'000	Total remuneration US$'000
Year ended December 31, 2017					
Director:					
Mr. Chun LI	—	—	—	—	—
Ms. Yu HU	—	—	—	—	—
Mr. Yao WANG	—	—	—	—	—
Mr. Yi LIU	—	—	—	—	—
Mr. Yifang WU	—	—	—	—	—
Chief executive:					
Mr. Lior Moshe DAYAN (iv)	—	—	**527**	**60**	**587**
	—	—	**527**	**60**	**587**
Year ended December 31, 2016					
Director:					
Mr. John Changzheng MA (i)	—	—	—	—	—
Mr. Hongfei JIA (ii)	—	—	—	—	—
Mr. Chun LI	—	—	—	—	—
Mr. Lei ZHONG (iii)	—	—	—	—	—
Ms. Elyse SILVERBERG (i)	—	—	—	—	—
Ms. Yu HU	—	—	—	—	—
Mr. Yao WANG (i)	—	—	—	—	—
Mr. Yi LIU (i)	—	—	—	—	—
Mr. Yifang WU (ii)	—	—	—	—	—
Chief executive:					
Mr. Lior Moshe DAYAN (iv)	—	—	319	—	319
	—	—	319	—	319

(i) Mr. John Changzheng MA and Ms. Elyse SILVERBERG resigned as directors of the Company and Mr. Yao WANG and Mr. Yi LIU were appointed as directors of the Company on April 14, 2016.

(ii) Mr. Hongfei JIA resigned as a director of the Company and Mr. Yifang WU was appointed as a director of the Company on October 17, 2016.

(iii) Mr. Lei ZHONG resigned as a director of the Company on October 18, 2016.

(iv) Mr. Lior Moshe DAYAN was appointed as the chief executive officer and a director of the Company on June 6, 2017.

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

8. Directors' and Senior Management's Remuneration (Continued)

Senior management's remuneration

The number of senior management members whose remuneration fell within the following bands is as follows:

	Number of employees
	2017
US$150,001 to US$300,000	3
US$300,001 to US$450,000	4
	7

9. Five Highest Paid Employees

The five highest paid employees during the reporting period included one director who is also the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration for the reporting period of the remaining four highest paid employees who are neither directors nor the chief executive of the Company are as follows:

	2017	2016
	US$'000	US$'000
Salaries, allowances and benefits in kind	**1,801**	1,934
Performance related bonuses	**1,224**	586
Listing bonuses	**2,592**	—
	5,617	2,520

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
US$300,001 to US$350,000	**1**	1
US$350,001 to US$400,000	—	1
US$400,001 to US$450,000	**1**	—
US$450,001 to US$500,000	—	1
US$500,001 to US$550,000	**1**	—
US$1,350,001 to US$1,400,000	—	1
US$4,300,001 to US$4,350,000	**1**	—
	4	4

10. Income Tax

The Israeli corporate tax rate applicable to the Company was 24.0% (2016: 25.0%) for the year ended December 31, 2017. Each entity in the group is taxable based on its standalone results as measured by the local tax system.

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

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

In December 2016, the Israeli Knesset passed Amendment 73 to the Investment Law, which included a number of changes to the Investments Law regimes. 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 OECD guidelines recently published as part of the Base Erosion and Profit Shifting (BEPS) project. The regulations have been approved in May 2017 and accordingly, these changes have come into effect.

Applicable benefits under the new regime include:

Introduction of a benefit regime for "Preferred Technology Enterprises", granting a 12% tax rate in central Israel and 7.5% tax rate in Area - on income deriving from Intellectual Property, subject to a number of conditions being fulfilled, including a minimal amount or ratio of annual R&D expenditure and R&D employees, as well as having at least 25% of annual income derived from exports. Technological Preferred Enterprise is defined as an enterprise which meets the aforementioned conditions and for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion.

In cases which the parent company and all subsidiaries are more than NIS 10 billion, the tax rate will be 6% in all of Israel regions.

A 12% capital gains tax rate on the sale of a preferred intangible asset to a foreign affiliated enterprise, provided that the asset was initially purchased from a foreign resident at an amount of NIS 200 million or more.

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

The Company is still in a process of assessing the criteria and regulations of the new legislation to ensure it will qualify and therefore as of December 31, 2017, has not accounted for its Israeli taxes in accordance with the new tax rate for technological enterprises.

The income of Alma Lasers Inc. is taxed based upon the tax law in the United States, the country of residence. Alma Lasers Inc. had cumulative net operating losses ("NOL") for U.S. federal income tax return purposes at the end of the year.

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

10. Income Tax (Continued)

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 makes certain changes to the depreciation rules and implements new limits on the deductibility of certain expenses and deduction.

The Company recorded a reduction of its deferred tax assets and deferred tax liabilities as of December 31, 2017, with a net impact of approximately $114,000, which was charged to the statement of profit or loss.

The income of Alma Lasers GmbH, a subsidiary incorporated in Germany, is taxed based upon the tax law in Germany, the country of residence. Income was taxed at a flat corporate income tax rate of 15% during the year and was also subject to additional trade income taxes of 15.65% as applicable.

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

The income of Alma Medical Private Limited, a subsidiary incorporated in India, is taxed based upon the tax law in India, the country of residence. Income was taxed at a corporate income tax rate of 30.9% during the year (which was not a flat rate but included many deductions/exemptions/rebates as per Income Tax Act 1961) and was also subject to withholding taxes as per provisions of the said Income Tax Act 1961.

	2017 **US$'000**	2016 US$'000
Current	**5,708**	4,390
Deferred (note 17)	**(936)**	(1,031)
Total tax charge for the year	**4,772**	3,359

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country in which the Company and its major operating subsidiary are domiciled to the tax expense at the effective tax rates is as follows:

	2017	2016
Profit before tax	**15,821**	11,860
Statutory tax rate	**24.0%**	25.0%
Tax at the statutory tax rate	**3,797**	2,965
Different tax rates for certain entities	**(1,779)**	(1,718)
Effect on opening deferred tax from changes in tax rates	**114**	—
Tax losses utilized from previous periods	—	(67)
Expenses not deductible for tax	**2,046**	2,521
Others	**594**	(342)
Total tax charge for the year	**4,772**	3,359

11. Dividend

The board of directors resolved not to declare any final dividend for the year ended December 31, 2017 (December 31, 2016: Nil).

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 284,694,839 (year ended December 31, 2016: 222,948,648) in issue during the year.

The calculation of basic earnings per share is based on:

	2017 US$'000	2016 US$'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**11,049**	8,055

	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	**284,694,839**	222,948,648

* Arrived at on the assumption that the capitalization issue of 222,213,648 shares (note 31) had been effective since January 1, 2016.

No adjustment has been made to the basic earnings per share presented for the years ended December 31, 2017 and 2016 as the Group had no potentially dilutive ordinary shares in issue during these years.

13. Plant and Equipment

	Plant and machinery US$'000	Furniture and fixtures US$'000	Leasehold improvements US$'000	Total US$'000
Cost:				
At January 1, 2017	**3,626**	**607**	**459**	**4,692**
Reclassification	**27**	**(27)**	**—**	**—**
Additions	**738**	**7**	**99**	**844**
Disposals	**(253)**	**—**	**—**	**(253)**
At December 31, 2017	**4,138**	**587**	**558**	**5,283**
Accumulated depreciation:				
At January 1, 2017	**1,904**	**249**	**186**	**2,339**
Depreciation provided during the year (note 6)	**806**	**15**	**56**	**877**
Disposals	**(253)**	**—**	**—**	**(253)**
At December 31, 2017	**2,457**	**264**	**242**	**2,963**
Net carrying amount:				
At December 31, 2017	**1,681**	**323**	**316**	**2,320**
At January 1, 2017	**1,722**	**358**	**273**	**2,353**

	Plant and machinery US$'000	Furniture and fixtures US$'000	Leasehold improvements US$'000	Total US$'000
Cost:				
At January 1, 2016	2,821	512	340	3,673
Additions	805	95	119	1,019
At December 31, 2016	3,626	607	459	4,692
Accumulated depreciation:				
At January 1, 2016	1,322	168	129	1,619
Depreciation provided during the year (note 6)	582	81	57	720
At December 31, 2016	1,904	249	186	2,339
Net carrying amount:				
At December 31, 2016	1,722	358	273	2,353
At January 1, 2016	1,499	344	211	2,054

14. Goodwill

	US$'000
Cost and net carrying amount at December 31, 2017 and 2016	108,351

Impairment testing of goodwill

The Group's goodwill acquired through business combination is from the acquisition of Alma in 2013 and the goodwill has been allocated to Alma as the cash-generating unit for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are 18.0% for the year (2016: 17.5%). The growth rate used to extrapolate the cash flows of the above cash-generating unit beyond the five-year period is 3% (2016: 3%), which is also an estimate of the rate of raw materials price inflation.

Assumptions were used in the value in use calculation of the cash-generating unit for the reporting period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development. The budgeted gross margin used in the current year was 52.7% (2016: 50.4%).

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant unit.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for Israel from where the raw materials are sourced.

The values assigned to the key assumptions on market development of the medical equipment industry, discount rates and raw materials price inflation are consistent with external information sources.

14. Goodwill (Continued)

Impairment testing of goodwill (Continued)

The following table illustrates the breakeven points of each key variables, with all other variables held constant, where the recoverable amount of the cash-generating unit would have been approximately equal to the carrying amount.

	2017	2016
Budgeted gross margins	50.9%	48.6%
Pre-tax discount rate	19.6%	19.0%
Growth rate beyond the five-year period	(0.4%)	0.1%

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, of goodwill impairment testing of Alma as of the dates indicated.

Possible changes of key assumptions	Recoverable amount of the cash-generating unit exceeding/(below) its carrying amount by	
	2017	2016
Gross margins decrease by 1%	9,507	3,753
Gross margins decrease by 3%	(14,191)	(17,473)
Pre-tax discount rate increases by 1%	7,714	6,207
Pre-tax discount rate increases by 3%	(14,948)	(17,121)
Growth rate beyond the five-year period decreases by 1%	14,055	12,440
Growth rate beyond the five-year period decreases by 3%	1,887	(633)

15. Other Intangible Assets

	Customer relationships US$'000	Trademarks US$'000	Patents and technology US$'000	Licence agreement US$'000	Total US$'000
Cost:					
At January 1, 2017	**39,896**	**24,493**	**19,676**	**451**	**84,516**
Additions	—	—	—	**1,932**	**1,932**
At December 31, 2017	**39,896**	**24,493**	**19,676**	**2,383**	**86,448**
Accumulated amortization:					
At January 1, 2017	**9,860**	—	**7,438**	**126**	**17,424**
Amortization provided during the year (note 6)	**2,751**	—	**2,076**	**158**	**4,985**
At December 31, 2017	**12,611**	—	**9,514**	**284**	**22,409**
Net carrying amount:					
At December 31, 2017	**27,285**	**24,493**	**10,162**	**2,099**	**64,039**
At January 1, 2017	**30,036**	**24,493**	**12,238**	**325**	**67,092**
Cost:					
At January 1, 2016 and December 31, 2016	39,896	24,493	19,676	451	84,516
Accumulated amortization:					
At January 1, 2016	7,116	—	5,362	61	12,539
Amortization provided during the year (note 6)	2,744	—	2,076	65	4,885
At December 31, 2016	9,860	—	7,438	126	17,424
Net carrying amount:					
At December 31, 2016	30,036	24,493	12,238	325	67,092
At January 1, 2016	32,780	24,493	14,314	390	71,977

15. Other Intangible Assets (Continued)

The useful life of trademarks was determined as indefinite in accordance with IAS 38 Intangible Assets. The trademarks are capable of being renewed indefinitely at insignificant cost according to its legal rights and therefore are perpetual in duration, and based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely.

Impairment testing of trademarks

The Group performs impairment test for the trademarks depending on the royalty saved with regard to the trademarks.

The recoverable amounts of trademarks have been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 17.6% for the reporting period. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%, which is also an estimate of the rate of inflation.

Key assumptions used for the value in use calculation

Assumptions were used in the value-in-use calculation for the reporting period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of indefinite life intangible assets:

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for Israel from where the raw materials are sourced.

The values assigned to the key assumptions on market development of the medical equipment industry, discount rates and raw materials price inflation are consistent with external information sources.

The following table illustrates the breakeven points of each key variable, with all other variables held constant, where the recoverable amount of the trademarks would have been approximately equal to the carrying amount.

	2017	2016
Pre-tax discount rate	**21.3%**	18.7%
Growth rate beyond the five-year period	**(3.8%)**	0.6%

15. Other Intangible Assets (Continued)

Key assumptions used for the value in use calculation (Continued)

The following table sets forth the impact of reasonably possible changes in each of the key assumptions, with all other variables held constant, of trademarks impairment testing of Alma as of the dates indicated.

Possible changes of key assumptions	Recoverable amount of trademarks exceeding/(below) its carrying amount by	
	2017	2016
Pre-tax discount rate increases by 1%	**4,031**	682
Pre-tax discount rate increases by 3%	**898**	(2,135)
Growth rate beyond the five-year period decreases by 1%	**4,726**	1,300
Growth rate beyond the five-year period decreases by 3%	**2,745**	(497)

16. Investment in an Associate

	2017 US$'000	2016 US$'000
Share of net assets	—	—

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
BELKIN Laser Ltd.*	Ordinary shares	Israel	7.78	Development of laser treatment for glaucoma

* The Group's investment in the associate is accounted for under the equity method of accounting because the Group has significant influence over the entity by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's equity interest in the associate was lower than 20% during the reporting period.

The Group's shareholdings in the associate all comprise equity shares held through Alma, a subsidiary of the Company.

The Group has discontinued the recognition of its share of losses of BELKIN Laser Ltd. because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amount of the Group's unrecognized share of losses of this associate was US$124,000 for current year (2016: US$50,000). As at December 31, 2017, the accumulated unrecognized share of losses of this associate was US$178,000 (2016: US$138,000).

17. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Warranties US$'000	Reserves and allowances US$'000	Research and development US$'000	Intangible assets US$'000	U.S. net operating loss carried forward US$'000	Deferred revenue US$'000	Unrealized intercompany profit and others US$'000	Total US$'000
Gross deferred tax assets at January 1, 2016	119	1,025	1,127	91	1,191	358	2,313	6,224
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	14	328	20	67	(674)	(44)	468	179
Gross deferred tax assets at December 31, 2016 and January 1, 2017	133	1,353	1,147	158	517	314	2,781	6,403
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(37)	(378)	600	25	(517)	(120)	(532)	(959)
Gross deferred tax assets at December 31, 2017	96	975	1,747	183	—	194	2,249	5,444

17. Deferred Tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries US$'000	Others US$'000	Total US$'000
Gross deferred tax liabilities at January 1, 2016	13,366	243	13,609
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(935)	83	(852)
Gross deferred tax liabilities at December 31, 2016	12,431	326	12,757
Deferred tax credited to the statement of profit or loss during the year (note 10)	(1,889)	(6)	(1,895)
Gross deferred tax liabilities at December 31, 2017	10,542	320	10,862

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2017 US$'000	2016 US$'000
Gross deferred tax assets	**5,444**	6,403
Offsetting with deferred tax liabilities	**(176)**	(144)
Net deferred tax assets recognized in the consolidated statement of financial position	**5,268**	6,259
Gross deferred tax liabilities	**10,862**	12,757
Offsetting with deferred tax assets	**(176)**	(144)
Net deferred tax liabilities recognized in the consolidated statement of financial position	**10,686**	12,613

18. Other Non-current Assets

	2017 US$'000	2016 US$'000
Long-term deposits	**139**	138

19. Inventories

	2017 US$'000	2016 US$'000
Raw materials	**10,079**	10,695
Work in progress	**3,596**	2,364
Finished goods	**11,555**	10,038
Provision	**(1,332)**	(1,142)
	23,898	21,955

20. Trade Receivables

	2017 US$'000	2016 US$'000
Trade receivables	**36,308**	29,185
Impairment	**(1,059)**	(978)
	35,249	28,207

The Group's trading terms with its customers are mainly on credit. The ordinary credit period is up to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Details of the concentration of credit risk arising from the customers are set out in note 38 to the financial statements.

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

	2017 US$'000	2016 US$'000
Within 1 month	**13,325**	12,361
1 to 2 months	**8,086**	6,584
2 to 3 months	**6,111**	3,152
Over 3 months	**7,727**	6,110
	35,249	28,207

20. Trade Receivables (Continued)

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

	2017 US$'000	2016 US$'000
At beginning of year	**978**	601
Impairment losses recognized (note 6)	**697**	611
Written off	**(616)**	(234)
At the end of year	**1,059**	978

The individually impaired trade receivables relate to customers that are having financial difficulties or are in default and only a portion of the receivables are expected to be recovered.

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 US$'000	2016 US$'000
Neither past due nor impaired	**24,818**	18,440
Less than 1 month past due	**4,443**	3,484
1 to 3 months past due	**2,268**	4,123
Over 3 months	**3,453**	1,589
	34,982	27,636

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. Prepayments, Deposits and Other Receivables

	2017 US$'000	2016 US$'000
Advances to suppliers	**831**	676
Deposits	**125**	94
Other receivables	**2,258**	2,196
	3,214	2,966

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. Derivative Financial Instruments

	2017 US$'000	2016 US$'000
Foreign exchange forward contracts (liabilities)/assets	**(245)**	187

23. Cash and Bank Balances

	2017 US$'000	2016 US$'000
Cash and cash equivalents as stated in the consolidated statement of cash flows	**38,081**	18,105
Pledged bank balances for long-term bank loans	**56**	48
Term deposits with original maturity of more than three months	**66,000**	23,500
Cash and bank balances as stated in the consolidated statement of financial position	**104,137**	41,653

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of above three months to less than one year, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. Trade Payables

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

	2017 US$'000	2016 US$'000
Within 1 month	**4,997**	3,024
1 to 2 months	**1,745**	2,030
2 to 3 months	—	2,318
	6,742	7,372

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

25. Other Payables And Accruals

	2017 US$'000	2016 US$'000
Advances from customers	**1,455**	618
Payroll	**6,254**	5,217
Accrued expenses	**6,777**	6,385
Current portion of deferred warranty income (note 28)	**1,472**	1,721
Others	**5,761**	1,268
	21,719	15,209

26. Interest-Bearing Bank Borrowings

	2017			2016		
	Effective interest rate (%)	**Maturity**	**US$'000**	Effective interest rate (%)	Maturity	US$'000
Current						
Current portion of long-term bank loans, secured	**6-month LIBOR+ 3.75**	**2018**	**4,321**	6-month LIBOR+ 3.75	2017	12,246
Non-current						
Bank loan, secured	**6-month LIBOR+ 3.75**	**2020**	**6,761**	6-month LIBOR+ 3.75	2020	36,672
			11,082			48,918

Note: LIBOR stands for London Interbank Offered Rate.

26. Interest-Bearing Bank Borrowings (Continued)

	2017 US$'000	2016 US$'000
Loan balance	**11,611**	49,857
Less: loan arrangement fees	**529**	939
	11,082	48,918
Analyzed into:		
Within one year	**4,321**	12,246
In the second year	**4,861**	13,995
In the third to fifth years, inclusive	**1,900**	22,677
	11,082	48,918

Notes:

(a) On April 13, 2014, the Company entered into a loan agreement pursuant to which an unconditional guarantee agreement with the banks was entered into, pursuant to which, the Company granted and pledged to the banks a continuing security interest in all the Company's assets. In addition, the Company granted and pledged to the banks all of the issued and outstanding shares of Alma and a floating charge over all of the present and future assets of the Company as they may be from time to time, the Company also agreed not to sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its assets. As at December 31, 2017 and 2016, the Company has met all the aforementioned financial covenants.

(b) In May 2014, according to the loan agreement in note (a) above, the Company obtained a bank loan of US$82,000,000 from a group of banks. The loan was to be repaid in twelve semi-annual instalments commencing in October 2014. On December 31, 2014 and October 16, 2017, the Company paid US$9,900,000 and US$26,000,000 as early repayments, respectively. The loan was secured by 100% equity interests of the Company held by the three shareholders of the Company and the share pledges were released by the lenders upon the Listing of the Company on September 19, 2017. As part of this loan, the Company paid coordination and arrangement fees in the amount of US$2,050,000 which will be amortized over the term of the loan.

27. Loan from a Related Party

	Note	2017 US$'000	2016 US$'000
Fosun Industrial Co., Limited	(a)	—	9,845

Note:

(a) On July 21, 2016, the Company received a loan from Fosun Industrial Co., Limited, a related party of the Company, in an aggregate amount of US$9,690,000 under the following terms:

1. The loan principal bears interest at an annual interest rate of 3.5%.

2. The principal amount and the applicable interest will be paid in one instalment on the earlier of July 21, 2020, and no later than 60 days from the occurrence of any of the following events:

    - The consummation of an initial public offering of Sisram on the Stock Exchange;

    - Inability to comply with certain financial covenants.

The loan has been repaid on September 22, 2017.

28. Deferred Income

	2017 US$'000	2016 US$'000
Deferred warranty income	2,045	2,355
Less: deferred warranty income classified as current portion (note 25)	1,472	1,721
	573	634

Deferred income represents the consideration received for either standalone warranty service contracts or extended warranties sold with sales of certain equipment. Such deferred income is amortized on a straight-line basis during the service period or warranty term as applicable.

29. Other Long-term Liabilities

	Note	2017 US$'000	2016 US$'000
Interest-free loan from shareholders	(a)	—	140,912
Employee benefit liabilities, net (note 30)		**813**	471
Others		**283**	401
		1,096	141,784

Note:

(a) In May 2013, the Company issued capital notes (the "Capital Notes") to its three shareholders in the amount of US$146,920,000. The Capital Notes bear no interest and the holders of the Capital Notes may demand repayment at any time after five years from the date of issuance of the Capital Notes. The repayment of the Capital Notes is subordinated to other obligations of the Company but senior to the distribution of the assets of the Company in its liquidation.

Management recognized the Capital Notes as the long-term liabilities in their present value using the discount rate of 3%, which was the interest rate of the 5-year long-term loan in US$ in the local financial market. The difference between the original value and the present value was recorded in reserves. The Company then recorded the interest expenses using the effective interest method in the following years.

On September 19, 2017, the Capital Notes were converted into 129,051,352 shares upon the Listing of the Company (note 31).

30. Defined Benefit Obligations

The Group operates a defined benefit plan in respect of severance pay pursuant to the Israel's Severance Pay Law. According to the law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index of Israel with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies (the "Plan Assets"). The Plan Assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. The Plan Assets are not available to the Group's own creditors and cannot be returned directly to the Group.

The liability for employee benefits shown in the consolidated statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets. Remeasurement of the net liability is recognized in other comprehensive income in the reporting period in which they occur.

The most recent actuarial valuations of the Plan Assets and the present value of the defined benefit obligations were carried out on December 31, 2017 by Ogen, an Israeli actuarial company, using the projected unit credit actuarial valuation method.

30. Defined Benefit Obligations (Continued)

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2017	2016
Discount rate		
Employees	3.30%	4.14%
Officers	2.90%	3.63%

	2017	2016
Expected rate of salary increase		
Employees	5.00%	3.50%
Officers	5.00%	2.50%

The actuarial valuation showed that the market value of plan assets was US$5,020,000 as at December 31, 2017 (December 31, 2016: US$4,509,000), and that the actuarial value of these assets represented 86.1% (December 31, 2016: 90.6%) of the benefits that had accrued to qualifying employees.

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

Employees

	2017	2016
Recorded liability	4,364	3,056
Discount rate changed to	4.30%	5.14%
Adjusted liability	4,301	3,012
Discount rate changed to	2.30%	3.14%
Adjusted liability	4,529	3,172
Expected rate of salary increase changed to	6.00%	4.50%
Adjusted liability	4,528	3,171
Expected rate of salary increase changed to	4.00%	2.50%
Adjusted liability	4,301	3,012

30. Defined Benefit Obligations (Continued)

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below: (Continued)

Officers

	2017	2016
Recorded liability	1,469	934
Discount rate changed to	3.90%	4.63%
Adjusted liability	1,407	895
Discount rate changed to	1.90%	2.63%
Adjusted liability	1,563	994
Expected rate of salary increase changed to	6.00%	3.50%
Adjusted liability	1,564	994
Expected rate of salary increase changed to	4.00%	1.50%
Adjusted liability	1,408	895

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The total expenses recognized in the consolidated statement of profit or loss in respect of the plan are as follows:

	2017 US$'000	2016 US$'000
Current service cost	788	662
Net interest expense	28	(2)
Net benefit expenses	816	660
Recognized in cost of sales	364	402
Recognized in selling and distribution expenses	272	80
Recognized in administrative expenses	60	37
Recognized in research and development expenses	120	141
Net benefit expenses	816	660

30. Defined Benefit Obligations (Continued)

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

	2017	2016
	US$'000	US$'000
At beginning of year	**4,980**	4,307
Current service cost	**788**	662
Net interest expense	**28**	(2)
Benefits paid	**(1,363)**	(174)
Return on plan assets	**249**	128
Loss/(benefits) from measurement in other comprehensive income	**513**	(7)
Effect of changes in foreign exchange rate	**638**	70
Contributions by employer	**—**	(4)
At end of year	**5,833**	4,980

The movements in the defined benefit obligations and the fair value of plan assets are as follows:

For the year ended December 31, 2017

		Expenses recognized in profit or loss				Gain (loss) from measurement in other comprehensive income						
	Balance at January 1, 2017 US$'000	Current service cost US$'000	Net interest expense US$'000	Total expense recognized in profit or loss for the period US$'000	Payments from the plan US$'000	Return on plan assets (excluding amounts included in net interest expenses) US$'000	Actuarial loss (gain) arising from changes in financial assumptions US$'000	Actuarial loss (gain) arising from experience adjustments US$'000	Total effect on other comprehensive loss for the period US$'000	Effect of changes in foreign exchange rates US$'000	Contributions by employer US$'000	Balance at December 31, 2017 US$'000
Defined benefit obligations	4,980	788	28	816	(1,363)	249	565	(52)	513	638	—	5,833
Fair value of plan assets	4,509	—	—	—	(1,032)	249	—	74	74	494	726	5,020
Net defined benefit liability	471	788	28	816	(331)	—	565	(126)	439	144	(726)	813

30. DEFINED BENEFIT OBLIGATIONS (Continued)

For the year ended December 31, 2016

		Expenses recognized in profit or loss				Gain (loss) from measurement in other comprehensive income						
	Balance at January 1, 2016 US$'000	Current service cost US$'000	Net interest expense US$'000	Total expense recognized in profit or loss for the year US$'000	Payments from the plan US$'000	Return on plan assets (excluding amounts included in net interest expenses) US$'000	Actuarial loss (gain) arising from changes in financial assumptions US$'000	Actuarial loss (gain) arising from experience adjustments US$'000	Total effect on other comprehensive loss for the year US$'000	Effect of changes in foreign exchange rates US$'000	Contributions by employer US$'000	Balance at December 31, 2016 US$'000
Defined benefit obligations	4,307	662	(2)	660	(174)	128	(2)	(5)	(7)	70	(4)	4,980
Fair value of plan assets	3,910	—	—	—	(174)	128	—	(99)	(99)	63	681	4,509
Net defined benefit liability	397	662	(2)	660	—	—	(2)	94	92	7	(685)	471

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

	2017 US$'000	2016 US$'000
Within the next 12 months	**732**	568

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

	2017 US$'000	2016 US$'000
Within the next 12 months	**439**	1,315
Between 1 and 2 years	**392**	532
Between 2 and 5 years	**1,304**	931
Between 5 and 10 years	**1,962**	1,395
Over 10 years	**4,162**	2,914
Total expected payments	**8,259**	7,087

31. Share Capital

Shares

	2017 US$'000	2016 US$'000
Authorised:		
1,000,000,000 (2016: 1,000,000) ordinary shares of NIS0.01 each	**2,835**	3
Issued and fully paid:		
442,155,600 (2016: 735,000) ordinary shares of NIS0.01 each	**1,254**	2

On August 30, 2017, in preparation for the Listing, the then existing shareholders of the Company passed resolution to increase the authorized share capital of the Company from NIS10,000 comprising 1,000,000 shares of NIS0.01 each to NIS10,000,000 comprising 1,000,000,000 shares of NIS0.01 each.

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital US$'000	Share premium account US$'000	Total US$'000
At January 1, 2016, December 31, 2016 and January 1, 2017	(a)	735,000	2	999	1,001
Capitalization issue of shares	(b)	222,213,648	630	(630)	—
Capitalization of Capital Notes	(b)	129,051,352	366	143,625	143,991
Issue of shares from the Listing	(c)	88,000,000	250	100,458	100,708
Issue of shares from partial exercise of an over-allotment option	(d)	2,155,600	6	2,439	2,445
Share issue expenses		—	—	(6,125)	(6,125)
		442,155,600	1,254	240,766	242,020

31. Share Capital (Continued)

Shares (Continued)

(a) In May 2013, the Company issued ordinary shares of 265,850, 248,430 and 220,720 with par value of NIS0.01 each to Chindex Medical Limited, Magnificent View Investments Limited and Ample Up Limited respectively for a total consideration of US$1,001,000. The difference between the par value of the issued ordinary shares and the consideration received amounting to US$999,000 was credited to share premium account.

(b) A total number of 351,265,000 new shares were issued pursuant to the capitalization issue on September 19, 2017, comprising 222,213,648 shares issued pursuant to the capitalization of the share premium upon the share premium account of the Company being credited as a result of the allotment and issue of the shares pursuant to the Listing and 129,051,352 shares issued pursuant to the capitalization of the Capital Notes with the carrying amount of US$143,991,000 (note 29).

(c) In connection with the Company's Listing on September 19, 2017, 88,000,000 new shares of the Company were issued and allotted at an offer price of HK$8.88 per share.

(d) In connection with the partially exercised over-allotment option, 2,155,600 new shares of the Company were issued and allotted at an offer price of HK$8.88 per share on October 8, 2017.

32. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Other reserves

(i) The Company recognized the Capital Notes at fair value upon initial recognition, with the fair value calculated by discounting the estimated future cash flows using market interest rate. The difference between the fair value and the face amount of the Capital Notes upon initial recognition, amounting to US$20,474,000, was credited to other reserves as a contribution from shareholders.

(ii) The Company has granted a share redemption option to the non-controlling shareholders of Alma. The share redemption option provides the holders the option to require the Company to purchase the shares held by the non-controlling shareholders at a determinable price after three years from the date of issue of the option. As at January 1, 2016, although the share redemption option remained unexercised, the Company derecognized the non-controlling interests as if they were acquired at that date, and recognized as a financial liability, which is measured on the basis of the estimated present value of the consideration to be transferred upon the exercise of the share redemption option. The difference between the amount of non-controlling interests and the financial liability was recognized to other reserves. On July 28, 2016 the Company paid US$9,690,000 for the purchase of all the remaining shares held by the non-controlling shareholders of Alma. As a result of the transaction, and as of the date of this report, the Company held 100% of Alma's shares.

(iii) Alma Lasers Inc. had excess of the tax deduction for previous options amounting to US$267,000 as at December 31, 2017 due to the tax reform bill of the United States in 2017.

33. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year, the Capital Notes with carrying amount of US$143,991,000 were converted into 129,051,352 shares upon the Listing of the Company.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings US$'000	Derivative financial instruments US$'000	Loan from a related party US$'000	Interest-free loan from shareholders US$'000
At January 1, 2017	48,918	(187)	9,845	140,912
Changes from financing cash flows	(38,246)	656	(10,093)	—
Fair value gains from foreign exchange forward contracts not qualifying as hedges	—	(211)	—	—
Cashflow hedge reserve	—	(13)	—	—
Finance costs	2,006	—	248	3,079
Interest paid	(2,056)	—	—	—
Capitalization of Capital Notes	—	—	—	(143,991)
Others	460	—	—	—
	11,082	245	—	—

34. Operating Lease Arrangements and Commitments

Operating lease arrangements

As lessee

The Group leases certain of its office building, production plant and equipment and commercial vehicles under operating lease arrangements. The leases are negotiated for terms ranging from three to ten years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 US$'000	2016 US$'000
Within one year	3,148	2,554
In the second to fifth years, inclusive	9,237	7,781
After five years	9,515	9,377
	21,900	19,712

Commitments

Other than the operating lease commitments detailed above, the Group did not have any significant capital commitments as at the end of the reporting period.

35. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with its related parties during the reporting period:

On September 22, 2017, the Company repaid the loan from Fosun Industrial Co., Limited, a related party of the Company, in an aggregate amount of US$10,093,000. Details are included in note 27 to the financial statements.

(b) Outstanding balances with related parties:

Details of the loan from a related party are included in note 27 to the financial statements.

Details of the Capital Notes due to the Company's shareholders are included in note 29 to the financial statements.

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

	2017 **US$'000**	2016 US$'000
Salaries, allowances and benefits in kind	**1,451**	1,303
Performance related bonuses	**896**	378
Listing bonuses	**2,581**	—
Total compensation paid to key management personnel	**4,928**	1,681

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

36. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2017 US$'000	2016 US$'000
Financial assets at fair value through profit or loss designated as such upon initial recognition		
Derivative financial instruments	—	187
Loans and receivables		
Other non-current assets	**139**	138
Trade receivables	**35,249**	28,207
Financial assets included in prepayments, deposits and other receivables	**2,383**	1,400
Cash and bank balances	**104,137**	41,653
	141,908	71,398
	141,908	71,585

Financial liabilities

	2017 US$'000	2016 US$'000
Financial liabilities at fair value through profit or loss designated as such upon initial recognition		
Derivative financial instruments	**245**	—
Financial liabilities at amortized cost		
Trade payables	**6,742**	7,372
Financial liabilities included in other payables and accruals	**12,538**	7,653
Interest-bearing bank borrowings	**11,082**	48,918
Loan from a related party	—	9,845
Financial liabilities included in other long-term liabilities	—	140,912
	30,362	214,700
	30,607	214,700

37. Fair Value and Fair Value Hierarchy of Financial Instruments

As at December 31, 2017 and 2016, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, deposits, and other receivables, trade payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the reporting period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank borrowings as at the end of the reporting period was assessed to be insignificant.

The Group enters into derivative financial instruments with The Hongkong and Shanghai Banking Corporation Limited. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

37. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at December 31, 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Foreign exchange forward contracts	—	187	—	187

Liabilities measured at fair value:

As at December 31, 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	**Significant observable inputs (Level 2) US$'000**	**Significant unobservable inputs (Level 3) US$'000**	**Total US$'000**
Foreign exchange forward contracts	—	**245**	—	**245**

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

38. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the reporting period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group's exposure to interest rate risk relates principally to the Group's interest-bearing bank borrowings with floating interest rates. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

All of the Group's interest-bearing bank borrowings bore interest at floating rates as at December 31, 2017 and 2016.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax US$'000
For the year ended December 31, 2017	**100**	**(116)**
	(100)	**116**
For the year ended December 31, 2016	100	(499)
	(100)	499

38. Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 21% (2016: 22%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 61% (2016: 61%) of costs were denominated in currencies other than the functional currencies of the operating units.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase / (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax US$'000
For the year ended December 31, 2017		
If US$ strengthens against NIS	**5**	**221**
If US$ weakens against NIS	**(5)**	**(221)**
If US$ strengthens against Euro	**5**	**(289)**
If US$ weakens against Euro	**(5)**	**289**
If US$ strengthens against CAD	**5**	**(168)**
If US$ weakens against CAD	**(5)**	**168**
For the year ended December 31, 2016		
If US$ strengthens against NIS	5	373
If US$ weakens against NIS	(5)	(373)
If US$ strengthens against Euro	5	(212)
If US$ weakens against Euro	(5)	212
If US$ strengthens against CAD	5	(261)
If US$ weakens against CAD	(5)	261

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

38. Financial Risk Management Objectives and Policies (Continued)

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. As at December 31, 2017, the Group had certain concentrations of credit risk as 26% of the Group's trade receivables were due from the Group's largest customer (2016: 24%), and 44% of the Group's trade receivables were due from the five largest customers (2016: 37%).

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance from shareholders. As at December 31, 2017, 38% of the Group's borrowings would mature in less than one year (2016: 7%), based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

December 31, 2017

	On demand US$'000	Less than 3 months US$'000	3 to less than 12 months US$'000	1 to 5 years US$'000	Total US$'000
Trade payables	**6,742**	—	—	—	**6,742**
Financial liabilities included in other payables and accruals	**12,538**	—	—	—	**12,538**
Interest-bearing bank borrowings	—	—	**4,764**	**7,823**	**12,587**
	19,280	—	**4,764**	**7,823**	**31,867**

December 31, 2016

	On demand US$'000	Less than 3 months US$'000	3 to less than 12 months US$'000	1 to 5 years US$'000	Total US$'000
Trade payables	7,372	—	—	—	7,372
Financial liabilities included in other payables and accruals	7,653	—	—	—	7,653
Interest-bearing bank borrowings	—	—	14,178	39,996	54,174
Loan from a related party	—	—	9,845	—	9,845
Financial liabilities included in other long-term liabilities	—	—	—	146,920	146,920
	15,025	—	24,023	186,916	225,964

38. Financial Risk Management Objectives and Policies (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank borrowings, the Capital Notes and a loan from a related party, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests.

As at December 31, 2017, the Group's cash and cash equivalents exceeded the total debt. As such, no gearing ratio as at December 31, 2017 was presented. As at December 31, 2016, the gearing ratio was 82%.

39. Events After the Reporting Period

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

40. Statement of Financial Position of the Company

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

	2017 US$'000	2016 US$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**222,033**	222,033
CURRENT ASSETS		
Due from subsidiaries	**13,329**	—
Prepayments, deposits and other receivables	**108**	50
Cash and bank balances	**70,903**	1,044
Total current assets	**84,340**	1,094
CURRENT LIABILITIES		
Other payables and accruals	**4,565**	581
Interest-bearing bank borrowings	**4,321**	12,246
Loan from a related party	—	9,845
Total current liabilities	**8,886**	22,672
NET CURRENT ASSETS/(LIABILITIES)	**75,454**	(21,578)
TOTAL ASSETS LESS CURRENT LIABILITIES	**297,487**	200,455
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**6,761**	36,672
Other long-term liabilities	**283**	141,194
Total non-current liabilities	**7,044**	177,866
NET ASSETS	**290,443**	22,589
EQUITY		
Share capital	**1,254**	2
Reserves (note)	**289,189**	22,587
Total equity	**290,443**	22,589

40. Statement of Financial Position of the Company (Continued)

Note:

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

	Share premium account US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
Balance at January 1, 2016	999	20,474	(4,695)	16,778
Total comprehensive income for the year	—	—	5,809	5,809
At December 31, 2016 and January 1, 2017	999	20,474	1,114	22,587
Capitalization issue of shares	(630)	—	—	(630)
Capitalization of Capital Notes	143,625	—	—	143,625
Issue of shares from the Listing	100,458	—	—	100,458
Issue of shares from partial exercise of an over-allotment option	2,439	—	—	2,439
Share issue expenses	(6,125)	—	—	(6,125)
Total comprehensive income for the year	—	—	26,835	26,835
At December 31, 2017	240,766	20,474	27,949	289,189

41. Approval of the Financial Statements

The financial statements were approved and authorized for issue by the board of directors on March 19, 2018.

Environmental, Social and Governance Report

1. About this Report

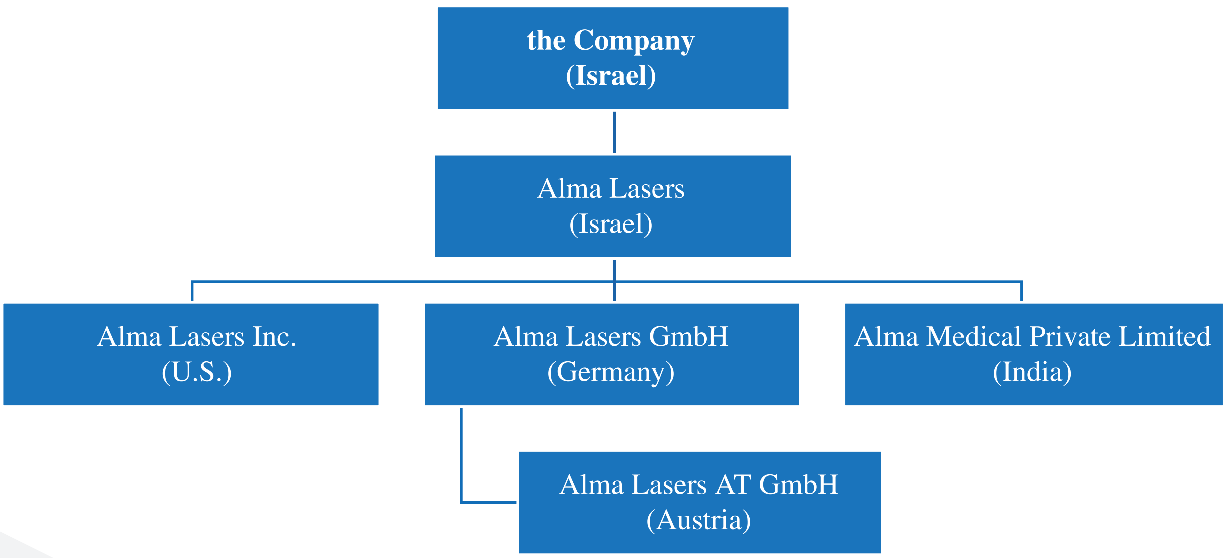
1.1 Reporting Period

This is the first Environmental, Social and Governance ("ESG") report (the "Report") of the Group that covers the environment and social performance from January 1, 2017 to December 31, 2017 unless otherwise stated.

1.2 Reporting Scope

The data and information in the Report are referenced from the archived questionnaires, records and statistics of Sisram Medical Ltd (hereinafter referred to as "the Company"). The Report covers the information of the Company and all its subsidiaries, collectively referred to as the "Group".

This simplified corporate structure of the Group which shows all subsidiaries of the Company and the locations of its subsidiaries is as follows:



1.3 Compliance with the ESG Reporting Guide

For the year ended December 31, 2017, except as disclosed in the Report, the Company had been in compliance with the applicable code provisions as set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules and adopted recommended disclosures set out in the ESG Reporting Guide if applicable. For more information, please see the ESG Reporting Guide Content Index at the end of this Report.

2. Environmental Performance

2.1 Production

2.1.1 Introduction of the Production Process

The Group 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.

All of the products are produced using raw materials, components, subassemblies and semi-finished products purchased from third-party suppliers. Subassemblies, which are assembled by the third-party subcontractors, are (i) more sophisticated components; or (ii) multiple smaller components assembled together. Semi-finished products are partially to almost-finished main consoles of treatment systems and may be produced either internally or by third-party subcontractors.

Accordingly, the production operations primarily consist of assembling and testing treatment systems, integrating the proprietary software and customising the finished products in accordance with customer orders. The production process can be generally divided into five main stages: (i) product design, research and development, (ii) forecasting, (iii) procurement, (iv) assembly of semi-finished products, and (v) calibration, integration, customisation and testing.

For a substantial majority of the main consoles of our treatment systems and almost all applicators for our treatment systems, the production process of the semi-finished product is conducted in-house at the production facilities in Caesarea, Israel. For a very small portion of certain products, the final steps of production and assembly products are conducted in Germany.

2.2 Emissions

2.2.1 Environmental Protection Policy and Compliance

The Group's businesses are not a major source of environmental pollution and the impact of its operations on the environment is not significant. Nevertheless, the Group's environmental objective is to operate and develop its business in a manner that minimises the impacts to the environment and natural resources.

The Group strictly abides by the regulations and laws related to environmental protection applicable to its operations and there was no report of any violation during the reporting period. In the production process, our technicians assemble the semi-finished main consoles and applicators for the treatment systems mainly by using manual tools. Therefore, the production process does not generate serious emission and discharge problems. The group has also taken energy saving and carbon reduction measures to reduce emissions.

Aspect	Main laws and regulations identified by jurisdictions
Environmental Protection	**Israel:** *Packaging Law (Packaging Management Law) 2011, Israeli Dangerous Substances Law 5753-1993, The Pharmacists Regulations (Radioactive Elements and By Products) 1980, etc.*
	U.S.: *Environmental Protection Act, etc.*
	India: *Environment Protection Act 1986, Wildlife (Protection) Act 1972, Forests (Conservation) Act 1980, Water (Prevention and Control of Pollution) Act 1974, etc.*
	EU: *German Environmental Protection Act (Bundes-Immissionsschutzgesetz), Austrian Environmental Protection Act, etc.*

Note:

1. EU refers to member states of the European Union & contracting states of EFTA, with the exception of Switzerland.

2.2.2 Types of Emissions

The Group consumes no natural gas, gas or other fuels of direct combustion and do not produce any hazardous substance or any material environmental pollutants during the production process. The Group's emissions mainly comprise the exhaust of its vehicles, the greenhouse gases (GHGs) indirectly emitted during its operation, and such non-hazardous wastes as plastics, and administration related waste.

2.2.3 Greenhouse Gas Emissions

The group encourages its employees to conserve energy and resources in day-to-day operations. The total net GHG emissions emitted by the Group's operation was 1,410.2 tonnes of carbon dioxide equivalent (tCO_2-eq) (mainly carbon dioxide, methane and nitrous oxide), with an intensity of 10.3 $KgCO_2$-eq/1,000 U.S. dollar ("US$") of sales. The major source of the GHG emissions was from the consumption of electricity and the usage of gasoline and diesel fuel by the Group's motor vehicles.

Indicator	**Unit**	2015	2016	**2017**
GHG emissions from gasoline and diesel fuel consumed by the Group's motor vehicles (Scope 1)	tCO_2-eq	498.0	481.2	**529.0**
GHG emissions from purchased electricity (Scope 2)	tCO_2-eq	833.5	903.9	**881.2**
Total GHG emissions	tCO_2-eq	1,331.5	1,385.1	**1,410.2**
GHG emissions intensity	$KgCO_2$-eq/ US$1,000 of sales	12.1	11.7	**10.3**

Note:

1. The GHG emissions are calculated according to Greenhouse Gas Protocol tool for stationary combustion (Version4.7) and mobile combustion (Version2.6), published by World Resources Institute.

2.2.4 Waste Management

In Israel and Germany, the Company and its subsidiaries mainly generate packaging waste (cartons and plastics) and administration related waste. Other subsidiaries mainly generate administration related waste as they are responsible for the distribution of medical equipment.

The Group has been promoting a paperless office environment to reduce administration related paper waste. For example, Alma Lasers sets duplex printing as the default mode for most network printers and disseminates information by electronic means as far as possible. Printed paper that's not in use gets shredded and collected by an authorised recycling company. Packaging waste is also collected and recycled by a third-party company to reduce the quantity of waste. Since there is no waste generated during production and the administration related waste is not significant, the Group does not track the data regarding total non-hazardous waste produced.

2.3 Use of Resources

2.3.1 Energy and Water

The Group actively reduces its consumption of energy and other resources to mitigate the environmental impact of its operation. The total electricity consumption of the Group was 1,159,420 Kilowatt-hour (kWh), with an energy intensity of 8.47 kWh/US$1,000 of sales. There are several motor vehicles being used for transportation purposes. A total of 111,770 litres of gasoline and 102,790 litres of diesel fuel were consumed for the Group's motor vehicles. The total water consumed by the Company and its subsidiaries in Israel and Germany in the reporting period was 6,574 m^3. The water consumption increased by 65.7% compared to that of 2016 because the company leased a new building in July 2016. As all of the Group's offices are leased, the water usage of the rest of the subsidiaries was included in the management fee and therefore, the figures were not available. During its operation, the Group only consumes the water from municipal supply. Given its small consumption of water, the Group has no problem in obtaining appropriate water sources.

Energy and Water Consumption Data

Indicator	**Unit**	2015	2016	**2017**
Total electricity consumption	kWh	1,102,501	1,190,556	**1,159,420**
Electricity consumption intensity	kWh/ US$1,000 of sales	9.99	10.08	**8.47**
Total water consumption[1]	tonnes	3,945	3,967	**6,574**
Water consumption intensity	Kg/ US$1,000 of sales	35.73	33.57	**48.03**
Total gasoline consumed by the Group's motor vehicles	litres	113,377	102,316	**111,770**
Total diesel fuel consumed by the Group's motor vehicles	litres	89,831	92,959	**102,790**

Note:

1. Total water consumption only includes consumption in Germany and Israel.

The following energy and water saving measures are generally adopted in the Group's daily operations:

Aspect	Measures
Saving Energy	• Use energy-saving light bulbs. • Switch off all electrical appliances or, where appropriate, switch them to the energy-saving mode when not in use.
Vehicle Maintenance	• Avoid sudden acceleration as it increases fuel consumption. • Switch off when idling.
Water Saving	• Fix dripping taps immediately. • Determine water requirements for each facility and check usage frequently.

2.3.2 Total Packaging Material Used for Finished Products

The Group in Israel strictly complies with the Packaging Management Law, 2011. The packaging materials (cartons and plastics) which are not in use are collected and recycled by a third-party company.

Packaging Material Data

Indicator	Unit	2015	2016	2017
Total weight of packaging material used	tonnes	179.4	177.4	**236.4**
Total cartons used	tonnes	166.0	166.0	**224.0**
Total plastics used	tonnes	13.4	11.4	**12.4**
Total cartons used per finished product	Kg/unit	41.8	52.3	**65.1**
Total plastics used per finished product	Kg/unit	1.1	1.1	**0.9**

Notes:

1. The total weight of packaging material used are estimated by the total weight of packaging material brought.

2. Cartons are used for packing main consoles and plastics are used for packing applicators.

2.4 The Environment and Natural Resources

The Group's operations do not involve production-related air, water and land pollutions which are regulated under related environmental laws and regulations. As the main operations take place indoor, the direct impact from the activities towards the environment and natural resources is minimal.

3. Social Performance

3.1 Employment

3.1.1 Employment Policy and Compliance

Attracting the best talents is the core of the Group's ongoing success in solving pressing medical challenges and improving people's lives worldwide. The Group has a broad base of diverse employees, working across a wide variety of business lines and geographies. In the countries where we have employees we comply with applicable employment laws and regulations. During the reporting period, there were no reported violations of laws and regulations with respect to employment and labour practices.

Aspect	Main laws and regulations identified by jurisdictions
Employment	**Israel:** *The Israeli Severance Pay Law, The Employment of Women Law, The Sick Pay Law, The Annual Leave Law,* Minimum Wage Law, etc. **U.S.:** *Title VII of the Civil Rights Act of 1964, Age Discrimination in Employment Act, Fair Labour Standards, etc.* **India:** *Employees compensation Act 1923, The Payment of Wages Act 1926, The maternity benefit Act 1970, etc.* **EU:** *Buergerliches Gesetzbuch (German Civil Code), Bundesurlaubsgesetz (National Vacation Law), etc.*
Occupational health and safety	**Israel:** *The Israeli Work Safety Ordinance (New Version) 1970, The Labour Inspection (Organization) Law 1954, The Safety at Work Regulations (Safety Glasses) 1947, Regulations of the Labour Supervision Organization (Provision of Information and Employee Training) 1999, Safety at Work (Occupational Hygiene and Safety Dealing with Laser Radiation) Regulations 2005, etc.*
Child labour and forced labour	**Israel:** *Youth Labour Law, 1953.* **U.S.:** *Fair Labour Standards Act, and various relevant state laws.* **India:** *Child and Adolescent Labour (Prohibition and Regulation) Act, 1986, Juvenile Justice (care and protection) of Children Act-2000.*

Note:

1. EU refers to member states of the European Union & contracting states of EFTA, with the exception of Switzerland.

3.1.2 Inclusion and Diversity

Diversity and inclusions are the key differentiators and accelerators of innovation and business performance. The Group is committed to fostering a diverse and inclusive culture that supports its mission to help its employees and clients. The Group is an equal opportunity employer and recruits, employs, trains, compensates, and promotes high-quality, competent, and responsible people without regard to race, religion, creed, colour, national origin, age, gender, marital status, disability, or any other legally protected basis, in accordance with relevant local laws or regulations.

3.1.3 Employee Compensation and Benefits

As part of the Group's overall talent management strategy, compensation and benefits play a key role in its ability to constantly attract, retain, and motivate its global workforce.

The Group's employee compensation is structured in alignment with local regulations and minimal wage requirements. Generally, the working time for a full-time employee is 40 hours per week, with the maximum working hour per week varying in jurisdictions where the Group is operating. In Israel, Germany and the U.S., employees get compensated for working over-time. In India, employees are entitled to compensatory time for working on weekends or holidays.

Being a valuable component of the Group's benefits packages, employee benefits vary by country and comply with relevant national regulations. They typically include:

- Retirement plans
- Social insurance
- Legal housing insurance
- Commercial insurance
- Allowances (e.g. transportation, lunch, mobile phone, etc.)

3.1.4 Supporting Work-Life Balance

The Group recognises the importance of enabling its employees to maintain an appropriate balance between work and life. The Group has flexible work options in place to support parents and others in need of alternative time schedules. In addition, the Group implements parental leave policy as stipulated by local laws and regulations. In the U.S., eligible employees are entitled for maternity leave, while in Israel, Germany and India, the Group provides its employees with fully paid parental leave time for either parent. In Israel, the Group provides all employees with paid bereavement leave time for immediate family, including parents, spouses and children.

Employment Data

Indicator			2015	2016	2017
Workforce	Total workforce (number of people)		315	337	**388**
	Gender	Male	224	237	**272**
		Female	91	100	**116**
	Age group	<30y	38	41	**35**
		30-50y	221	233	**270**
		>50y	56	63	**83**
	Employment type	Full time	296	318	**368**
		Part time	19	19	**20**
	Geographical region	Israel	197	217	**230**
		U.S.	73	71	**91**
		Germany & Austria	27	27	**36**
		India	18	22	**31**
Employee turnover[1]	Total employee turnover rate (%)		16.45	14.47	**12.02**
	Gender	Male	14.83	13.50	**10.82**
		Female	20.18	16.67	**14.71**
	Age group	<30y	28.30	26.79	**45.31**
		30-50y	15.33	13.70	**6.90**
		>50y	9.68	7.35	**4.60**
	Geographical region	Israel	10.86	9.96	**8.37**
		U.S.	29.81	26.80	**22.22**
		Germany & Austria	10.00	6.90	**12.20**
		India	18.18	18.52	**3.13**

Note:

1. Including voluntary turnover, lay-off, work-related fatalities, and retirement; calculated as: employee turnover/(employee turnover + number of workforce)

3.2 Occupational Health and Safety

The Group believes the health and safety of employees and staff is essential for the long-term business success. The Group has strictly complied with the applicable regulations and laws related to occupational health and safety, and there was no report of any violation during the reporting period.

The Group has adopted work environment procedures which, among other things, require new employees to undergo mandatory safety trainings and follow a special protocol for operating lasers. The laser-safety training covers explanations about the laser station, safety precautions, tool calibrations and correct use, general explanations about lasers, dangers and the damage it can cause to the eyes. Our employees that work with lasers are provided with suitable protective equipment such as goggles and gloves for protection and to ensure workplace health and safety.

Occupational Health and Safety Data

Indicator	Unit	2015	2016	2017
Work-related injury cases with leave of absence	No. of cases	4	3	**1**
Lost days due to work-related injury	No. of days	16	33	**11**
Number of employees participated in laser-safety training	No. of ppl	47	70	**70**
Average laser-safety training hours completed per laser-sensitive employee	No. of hours	3.14	2.74	**2.86**

Note:

1. Average laser-safety training hours completed per employee = Total laser-safety training hours received by laser-sensitive employees/total number of laser-sensitive employees.

3.3 Development and Training

The Group believes that proper training for employees and staff is important for its product quality and safety. We have an annual employee training program, which includes both internal and external training. Training may include work and safety procedures, introduction of new products, our sales and financial model, and company policy. We also provide our employees with a handbook which sets out guidelines on employee behaviour and company.

The Group evaluates effectiveness of training by testing its employees for their knowledge and on-the-job skills, to help ensure they are capable of performing their job functions. Employees who have failed the evaluation test cannot be qualified to perform job tasks until they are re-trained and passes the test successfully to the instructor's complete satisfaction.

3.4 Labour Standards

Being a global company, the Group keeps exporting its way of working with labour rights to ensure that all its subsidiaries apply our common standards. The Group rejects any form of child or forced labour and complies with local regulations concerning non-use of child and forced labour. During the reporting period, there was no child nor forced labour in the Group.

The Group also recognises its employees' legal right to freely join labour organisations of their choosing and to bargain collectively on issues related to employee rights and benefits.

3.5 Supply Chain Management

Product quality and safety are one of the Group's top priorities. Given the geographical scope of its global suppliers, the Group extends its commitment to achieve the highest quality standards of its global supply chain by consistently supervising and monitoring procurement of supplies, materials and equipment, as well as suppliers' selection and the selection criteria.

The Group classifies its suppliers into five categories (A-E, A- Critical, E-non-critical) based on the service supplied or materials critically as affect to the quality of our finished products. The Group require its suppliers to present formal accreditation to ISO 13485 and/or ISO 9001 when entering into business with us. In the absence of such credential, however, a questionnaire evaluating quality capabilities is needed for suppliers' categories A, B, C & D.

Supplier Classification and Selection Criteria

Supplier Classification	Accepted & Approved Criteria
Category A Turn-Key and Calibration Subcontractors	Supplier Questionnaire[1] + Third Party Registration[2]
Category B Subcontractors for Material and Services to Company's specifications	Supplier Questionnaire[1] + Third Party Registration[2]
Category C Manufacturers of Components to own specs Contract Laboratories	Supplier Questionnaire[1] + Third Party Registration[2]
Category D Suppliers and Distributors of *Off The Shelf* materials.	Supplier Questionnaire[1]
Category E Consultants	Consultant CV + Confirmation of references

Notes:

1. Supplier Questionnaire is needed in case the supplier is not certified to ISO 13485 or ISO 9001.

2. Registration shall be to ISO 13485 or ISO 9001 as applicable.

Supply Chain Management Data

Indicator		2015	2016	**2017**
Total number of suppliers		396	376	**401**
Geographical region	Israel	192	193	**180**
	North America[1]	40	40	**55**
	Asia Pacific[2]	25	26	**39**
	Europe[3]	139	117	**127**

Notes:

1. Including U.S. and Canada.

2. Including PRC, Japan, Taiwan, India, Philippines, and Australia.

3. Including Great Britain, Netherlands, Slovenia, and Germany.

3.6 Product Responsibility

Safety and Wellness are an integral part of the Group's values. The Group maintains the highest standards of safety in all of its practices and products, through stringent clinical testing, protocol optimisations and uncompromising safety standards to ensure that all of its products are safe and reliable for use. In the meantime, the Group strives to base all of its business endeavours on long-term commitments, building strong relationships with its customers and partners and promoting a better quality of life for all. In countries where we operate, we undertake our product responsibility in compliance with relevant local laws and regulations. During the reporting period, there were no reported violations of laws and regulations with respect to product health and safety, advertising, labelling, intellectual property, customer data and privacy matters.

The Group sells its products either (i) by direct sales to treatment providers or (ii) to distributors who on-sell to treatment providers, who use its treatment systems to perform procedures on their treatment recipients. These treatment providers primarily include core physicians (plastic surgeons and dermatologists), non-core physicians (including primary care physicians, obstetricians, gynaecologists, and ear, nose and throat specialists) and aestheticians. As a result, the term of "customer" in this report refers only to treatment providers.

Aspect	Main laws and regulations identified by jurisdictions
Product Quality Assurance	**Israel:** *Medical Device Law 2012, The Medical Device (Medical Device Registration and Renewal) Regulations 2013, The Israeli Public Health Regulations (Clinical Trials in Human Subjects), etc.* **U.S.:** *501 (K) clearance, Pre-market approval, Radiation Control Provisions, etc.* **India:** *Grading and Marking) Act 1937, ISI (Certification Mark) Act 1952, The Food Safety and Standards Act (FSS) 2006, Export (Quality Control and Inspection) Act 1963, etc.* **EU:** *CE Marking, German Medical Devices Act (Medizinproduktegesetz), Austrian trade law (Gewerberecht), etc.* **PRC:** *Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), Guideline for Clinical Trial of Medical Devices (《醫療器械臨床評價技術指導原則》), The Product Quality Law of the PRC (《中華人民共和國產品質量法》), etc.*
Advertising	**Israel:** *Consumer protection law 1981.* **U.S.:** *Federal Trade Commission Act.* **India:** *Code for Self-Regulation in Advertising.* **EU:** *Gesetz gegen unlauteren Wettbewerb (Act against unfair advertising practices)*
Intellectual Property	**Israel:** *The Patents Law 1967, The Trade Marks Ordinance 1972, The Copyright Law 2007, The Patents and Designs Ordinance 1924, etc.* **PRC:** *Patent Law of the PRC (《中華人民共和國專利法》), The Trademark Law of the PRC (《中華人民共和國商標法》),etc.*
Customer data protection and privacy	**Israel:** *Consumer protection law 1981.* **U.S.:** *Fair Credit Reporting Act, etc.* **India:** *Information Technology Act, 2000, Indian Penal Code, 1860.* **EU:** *Bundes-Datenschutzgesetz (German Data Protection Act), European Data Protection Convention, etc.* **PRC:** *The Law of the PRC on the Protection of Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》).*

Notes:

1. EU refers to member states of the European Union & contracting states of EFTA, with the exception of Switzerland.

2. Advertising refers to product sales and promoting practices such as fair disclosure of product information, etc.

3.6.1 Quality Management System (QMS)

Quality is important to the Group as its patients rely on its products to be safe and effective. The Group's Quality Policy lays out the goals of product excellence it is striving to achieve, and the responsibility its management and employees must undertake to deliver top-quality products to the full satisfaction of domestic and global customers.

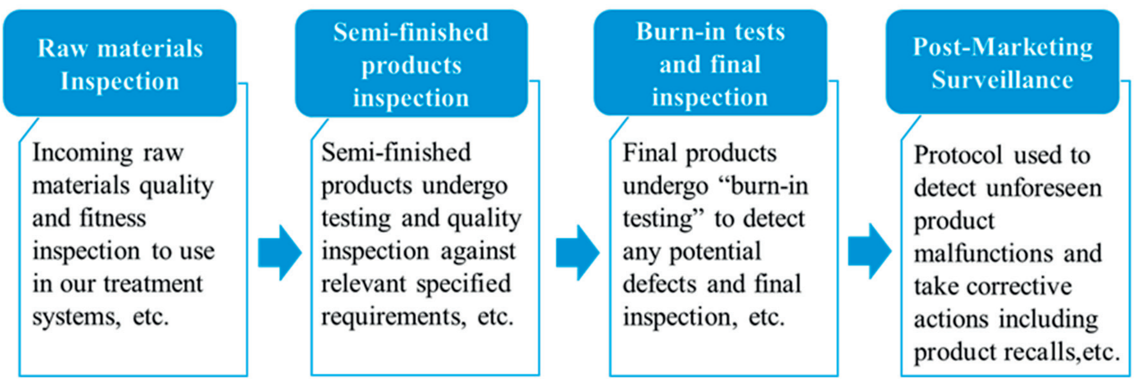
The Group establishes, documents, implements, and maintains a Quality Management System (QMS) in accordance with the requirements of applicable statutory and regulatory requirements. Our Quality Management System conforms to the requirements of ISO 9001:2008 and ISO 13485:2012 international standard, which is the applicable standard for a company designing, manufacturing and inspecting of medical lasers and radiofrequency devices. As of December 31st, 2017, Alma Lasers, Alma Lasers GmbH and Alma Lasers Inc. have been fully certified to ISO13485:2012. Alma Lasers GmbH has also obtained EC Certificate of Full Quality Assurance System.

QMS Certificate Received	Latest Issue Date
EC Certificate Full Quality Assurance System - Directives 93/42/EEC on Medical Devices (MDD), annex II excluding section 4	December 15th, 2017
ISO 13485:2012 Quality Management System - Medical devices	February 20th, 2018

3.6.2 Quality Assurance Process

The Group has a Quality Assurance Process in place spanning the entire life-cycle of its products. With it, we are able to ensure that our product development performance is consistent with our stringent quality control protocols. Post-marketing surveillance allows us to monitor the performance of our products in use and gather information necessary to detect any unforeseen malfunction via channels such as customer feedback and distributor reporting.

Product Quality Assurance Process



3.6.3 Protecting Intellectual Property Rights

The Group's success depends in part on its ability to obtain and maintain proprietary protection for its products, technology and know-how, to operate without infringing the proprietary rights of others and to prevent others from infringing its proprietary rights. The Group has established relevant policy to protect its proprietary position by, among other methods, filing patent applications in various jurisdictions such as the U.S., Germany and the PRC related to its proprietary technology, inventions and improvements that are important to the development of its business. In addition, the Group employs a manager of intellectual property, who is assisted by outside counsel in other markets to ensure compliance on U.S. and Israel patent and trademark matters, as well as EU trademark matters. As of December 31st, 2017, we own 52 patents in total and have 20 pending patent applications material to our business.

Each of the Group's distributors is under the supervision of a regional sales manager who coordinates with the manager of intellectual property so that IP right infringement at the local level can be addressed appropriately. The manager of IP and outside counsel assess the situation and take appropriate action where necessary. Actions may include further IP registrations, warning letters, or invitations to mediation.

The Group also takes proactive measures to avoid infringing the IP rights of others. When new product names are proposed, the manager of IP performs a clearance search. As new products are developed, the manager assesses freedom to operate and patentability. In addition, the manager performs periodic reviews of new patent applications and trademarks across the world to keep our employees informed of any changes.

3.6.4 Responsible Sales and Marketing

Earning the confidence and trust of customers is key to the Group's continued business growth. To do so, the Group makes sure that its products are marketed and promoted accurately and are in line with local laws and regulations. The Group's sales representatives undergo yearly training sessions relating to responsible sales and marketing, including fair disclosure of product information to customers, responsible use and management of product labelling, etc.

In some countries where we sell our products through regional distributors, we ensure that their marketing practices comply with our ethical policies and external regulations by entering into distribution agreements with them. Under the agreements, the distributors shall: (i) comply with relevant laws and regulations and obtain (in our name where legally possible) all licenses, permits and governmental approvals necessary for the sale of our products in the relevant territories; (ii) provide us with all of their advertising and promotional materials, which may be subject to our prior approval; and (iii) establish, train and maintain their own sales and service team to promote, market and sell our products and to provide professional maintenance and repair services.

3.6.5 Products and Service Related Complaints

Customer complaints refer to any written or oral notification related to the identity, quality, durability, reliability, safety, effectiveness or performance of device manufactured and supplied by the Group. It may also include reported problems relating the labels, manuals, accessories and/or service.

The Group addresses customer complaints at the local distributor level. A Customer Support Representative is available to handle complaints via emails or customer calls. For any complaint, the initial response to the customer shall be issued no later than 2 working days from the day of complaint/service call reception. The Group's Customer Support Team will handle and assess each complaint on a case-by-case basis. For complaints that do not require further investigation, the Group's Customer Support Team Manager will close the complaint. Complaints in need of technical analysis will be forwarded to designated personnel, who will then decide whether to close the complaint or to initiate Corrective Action and Preventive Action (CAPA) to determine and eliminate the root cause of product nonconformities. As part of the CAPA process and effectiveness evaluation, the Customer Support Team Manager will review the complaints and service call records as required to detect recurring problems.

The Group keeps improving its customer relation management. Our customer service system runs on SAP, an enterprise resource planning software, with which we can review each service call status, as well as monitor each case of customer complaints in accordance to their importance from low to high. During the reporting period, we shortened our customer service response time, resulting in reduction of customer service calls compared to the year of 2016, and 90% of the customer complaints solved at first call.

3.6.6 Product Recalls

When failure of its products may compromise the safety of users, the Group will employ Recall and Field Safety Corrective Action and Procedure (FSCA). Depending on the situation and degree of the malfunction, the FSCA typically include return of the device to its supplier, device modification including software upgrades and change to labelling or user instructions, device exchange, device destruction and other necessary measures. For malfunction concerning a series of products, the Group will implement a product identification and traceability procedure to ensure that customers of the faulty devices be notified of any potential hazards, and relevant distributors well aware of their responsibility in tracing the suspected faculty devices for recall. Corrective action will follow the recall procedure to prevent recurrence of the problem. During the reporting period, the Group had not been subject to any product recalls due to safety and health reasons.

3.6.7 Protecting Customer Data and Privacy

The Group relies on data to make its products effective. As a result, our customers expect us to keep their data secure and this responsibility remains a high priority for us. Our Employee Code of Conduct specifies that employees are expected to preserve the confidentiality of information including that of customers, suppliers, patients unless disclosure is required by law, regulation, or legal or judicial process.

Product Responsibility Data

Indicator	2015	2016	2017
Percentage of total products recalled due to safety and health reasons	0%	0%	**0%**
Percentage of customer complaints handled	100%	100%	**100%**

Note:

1. Including all product-related complaints both under and out of warranty.

3.7 Anti-corruption

The Group is committed to managing all of its business with the highest standards of honesty, integrity, and fairness in accordance with local laws and regulations. As stipulated by our Employee Code of Conduct, all employees must adhere to the ethical business conduct in their global marketplace and oppose corruption in all its forms. During the reporting period, there were no reported violations of laws and regulations with respect to bribery, extortion, fraud and money laundering.

Aspect	Main laws and regulations identified by jurisdictions
Anti-corruption	**U.S.:** *Foreign Corrupt Practices Act.* **India:** *Prevention of Corruption Act 1988, The Benami Transactions (Prohibition) Act 1988, Indian Penal Code 1860, The Prevention of Money Laundering Act 2002.* **EU:** *Bundes Anti Korruptionsgesetz (German Anti-Corruption Law), Anti Korruptions Verordnung (Anti-Corruption Act).* **Others:** *UN Convention against Corruption – UNCAC, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.*

Note:

1. EU refers to member states of the European Union & contracting states of EFTA, with the exception of Switzerland.

3.7.1 Conflict of Interest

Conflict of interest may arise when an employee exercises authority, influences decisions and actions or acquires valuable information in dealing with customers, suppliers, contractors and colleagues in order to achieve financial and personal gain. The Group requires its employees to avoid situations where the interests of the employees and those of the Group conflict. In addition, our employees are expected to disclose any potential conflicts of interests, of their own and of any members of their immediate family or of close associates, in writing to his or her supervisor.

3.7.2 Whistle-blowing Procedures and No Retaliation Policy

Through an open-door policy and an employee complaints box, the Group constantly encourages its employees to promptly report anonymously work-related situations that can materially and adversely affect its business operations such as corruption, conflict of interest, irregularities or other unexpected events. As specified in our Employee Code of Conduct, reports or complaints received from employees regarding unlawful conduct shall be handled appropriately and with discretion. In the event that complaints are brought to the attention of any member of management, Human Resources and the Legal department will initiate thorough investigations, which may include interviews with employees involved in the complaint. Confidentiality will be maintained throughout the duration of the investigation to the extent that a proper and thorough investigation allows. If a report of inappropriate conduct is confirmed through investigation, the Group management will take quick and effective remedial actions to put a halt to any such conduct, as well as to prevent its recurrence.

The Group does not tolerate any act of retaliation against its employees for reporting credible concerns or for cooperating in investigations of a report or complaint. If the Group determines that any actual or threatened retaliation has occurred, the Group management will take action against the perpetrator, and may include unpaid suspension and/or termination of employment.

3.8 Community Investment

The Group stays proactive in supporting the development of communities where its operations are located, covering areas such as health, sport and women's rights. It also encourages employees to participate in public welfare affairs and make contributions to the community. During the reporting period, 45 employees of Alma lasers participated in blood donations. Alma Medical Private Limited sponsored the Women's Marathon and spent around US$7,000 in supporting the DNA Cancer survivors' event held in Mumbai in 2017.

The Group is committed to conducting business in every aspect to minimise any potential impact by continuously considering the society and performing its works in an environmentally friendly and sustainable way.

ESG Reporting Guide Content Index

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant chapters in Report
A. Environment		
Aspect A1: Emissions		
General Disclosure A1		
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	2.2.1 Environmental Protection Policy and Compliance
KPI A1.1	The types of emissions and respective emissions data.	2.2.2 Types of Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.2.3 Greenhouse Gas Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not Applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not Available. Explained in 2.2.4 Waste Management
KPI A1.5	Description of measures to mitigate emissions and results achieved	2.3.1 Energy and Water
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	2.2.4 Waste Management
Aspect A2: Use of Resources		
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	2.3.1 Energy and Water
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	2.3.1 Energy and Water
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	2.3.1 Energy and Water
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	2.3.1 Energy and Water
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	2.3.1 Energy and Water
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	2.3.2 Total Packaging Material Used for Finished Products
Aspect A3: The Environment and Natural Resources		
General Disclosure A3	Policies on minimising the issuer’s significant impact on the environment and natural resources.	2.4. The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	N/A

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant chapters in Report
B. Social		
Aspect B1: Employment		
General Disclosure B1		
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3.1 Employment Policy and Compliance
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	3.1.4 Supporting Work-Life Balance
KPI B1.2	Employee turnover rate by gender, age group and geographical region	3.1.4 Supporting Work-Life Balance
Aspect B2: Health and Safety		
General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	3.2 Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	3.2 Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	3.2 Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3.2 Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.3 Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category.	N/A
Aspect B4: Labour Standards		
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	3.4 Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.4 Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No Reported Use of Child or Forced Labour

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant chapters in Report
Aspect B5: Supply Chain Management		
General Disclosure B5	Policies on managing environmental and social risks of the supply chain.	3.5 Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	3.5 Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	3.5 Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure B6		
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3.6 Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.6.6 Product Recalls
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	3.6.5 Products and Service Related Complaints
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.6.3 Protecting Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	3.6.1 Quality Management System; 3.6.2 Quality Assurance Process
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.6.7 Protecting Customer Data and Privacy
Aspect B7: Anti-corruption		
General Disclosure B7		
Information on:		
	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.7 Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.7 Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	3.7.1 Conflict of Interest; 3.7.2 Whistle-blowing Procures and No Retaliation Policy

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant chapters in Report
Aspect B8: Community Investment		
General Disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	3.8 Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	3.8 Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	3.8 Community Investment

Corporate Information

Directors

Executive Directors

Mr. Yi LIU (劉毅) *(Chairman)*
Mr. Lior Moshe DAYAN *(Chief Executive Officer)*
Mr. Jianping HUA[1] (華劍平) *(Chief Financial Officer)*

Non-executive Directors

Mr. Yifang WU (吳以芳)
Mr. Chun LI[2] (李春)
Mr. Yao WANG (汪曜)
Ms. Yu HU[3] (胡羽)
Ms. Yang YANG[4] (楊陽)

Independent Non-executive Directors

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

Audit Committee

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

Nomination Committee

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

Notes:

1. Mr. Jianping HUA was appointed as an executive Director on March 19, 2018.
2. Mr. Chun LI resigned as a non-executive Director on March 19, 2018.
3. Ms. Yu HU resigned as a non-executive Director on March 19, 2018.
4. Ms. Yang YANG was appointed as a non-executive Director on March 19, 2018.

Remuneration Committee

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

Company Secretary

Ms. Yee Har Susan LO (盧綺霞) *(FSC(PE), FCIS)*

Authorized Representatives

Mr. Yi LIU (劉毅)
Ms. Yee Har Susan LO (盧綺霞)

Headquarters, Registered Office and Principal Place of Business in Israel

14 Halamish Street
Caesarea Industrial Park
Caesarea 38900
Israel

Principal Place of Business in Hong Kong

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Compliance Adviser

CMB International Capital Limited
Units 1803-4, 18/F
Bank of America Tower
12 Harcourt Road
Hong Kong

Auditors

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Hong Kong Legal Adviser

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

Israeli Legal Adviser

Weinstock Zecler & Co, Law Offices
5 Azrieli Center
Tel-Aviv, 67025
Israel

Stock Short Name

SISRAM MED

Stock Code

01696

Company Website

www.sisram-medical.com

Definitions

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

"AGM" or "Annual General Meeting"	the annual general meeting of the Company
"Alma Acquisition"	the acquisition of Alma Lasers by the Company, which was completed on May 27, 2013
"Alma" or "Alma Lasers"	Alma Lasers Ltd., a company incorporated in Israel with limited liability, a wholly owned subsidiary of the Company
"Ample Up"	Ample Up Limited (能悅有限公司), a company incorporated in Hong Kong with limited liability, and a wholly owned subsidiary of Fosun Pharma
"Articles of Association"	the articles of association of the Company currently in force
"APAC"	Asia-Pacific
"Board" or "Board of Directors"	the board of Directors of the Company
"Capital Notes"	the interest-free long-term capital notes issued to the existing shareholders before Listing which were capitalized upon Listing.
"CFDA"	State Administration for Market Regulation (previously known as China Food and Drug Administration)
"CG Code"	the Corporate Governance Code
"CML"	Chindex Medical Limited, a wholly owned subsidiary of Fosun Pharma
"Company" or "Sisram"	Sisram Medical Ltd, a company incorporated in Israel with limited liability and whose Shares are listed on the Stock Exchange
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules
"CPD"	continuous professional development
"DACH"	Germany, Austria and Switzerland
"Director(s)"	the director(s) of the Company
"DTC"	Direct to Customer
"EBITDA"	earnings before interest, taxes, depreciation and amortization
"EMEA"	Europe, the Middle East and Africa
"ESG"	Environmental, Social and Governance
"FDA"	Food and Drug Administration of the United States
"FHL"	Fosun Holdings Limited (復星控股有限公司), a company incorporated in Hong Kong with limited liability, which is wholly owned by FIHL
"FIHL"	Fosun International Holdings Ltd. (復星國際控股有限公司), a company incorporated in the British Virgin Islands with limited liability
"Fosun Equity Investment"	Fosun Equity Investment Ltd.
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司), a wholly owned subsidiary of Fosun International

"Fosun International"	Fosun International Limited (復星國際有限公司), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
"Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed and traded on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, respectively
"Fosun Pharma Group"	Fosun Pharma and its subsidiaries (excluding the Group)
"Group", "we", "us" or "our"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"HKSAs"	Hong Kong Standards on Auditing
"Hong Kong"	Hong Kong Special Administration Region of the PRC
"IASB"	the International Accounting Standards Board
"IFRSs"	International Financial Reporting Standards
"IoT"	Internet of Things
"IPO Bonus"	the bonus in connection with the completion of the Global Offering
"Listing Date"	September 19, 2017
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Listing", "Global Offering" or "IPO"	the initial public offering of the Company's shares
"Magnificent View"	Magnificent View Investments Limited, a company incorporated in Hong Kong with limited liability
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"NOL"	net operating losses
"Non-Compete Deed"	a non-compete deed dated August 30, 2017 that the Company entered into with Fosun Pharma to ensure a clear delineation between the respective businesses of the Group and the remaining Fosun Pharma Group with effect from the Listing Date
"Plan Assets"	assets held by a long-term employee benefit fund or qualifying insurance policies
"Pramerica-Fosun Fund"	Pramerica-Fosun China Opportunity Fund, L.P. (復星–保德信中國機會基金(有限合夥)), which wholly owns Magnificent View, whose general partner is a wholly owned subsidiary of Fosun International and whose limited partners are independent third parties
"PRC"	the People's Republic of China, which for purpose of this annual report only, excludes Hong Kong, Macau Special Administrative Region and Taiwan

Definitions

"Prospectus"	the prospectus issued by the Company on September 5, 2017 in connection with the Hong Kong public offering and the international offering of the Shares
"R&D"	research and development
"Reporting Period"	the year ended December 31, 2017
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	the share(s) in the capital of the Company
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"US$"	United States Dollars, the lawful currency of the United States
"YOY"	year over year
"2011 Amendment of the Investment Law"	the Law for the Encouragement of Capital Investments, 1959 (as amended in 2011)