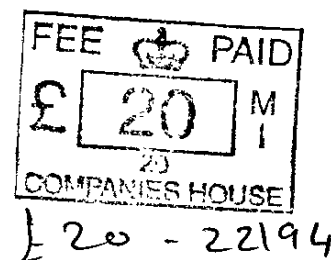


HUTCHISON BIOFILM MEDICAL SOLUTIONS LIMITED
(incorporated in Bahamas with limited liability)
Company Number: 159518B

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Registered as a UK Establishment
UK Establishment Number: BR018145
Company Number of UK Establishment: FC033062



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HUTCHISON BIOFILM MEDICAL SOLUTIONS LIMITED
(incorporated in Bahamas with limited liability)

Financial statements
For the year ended 31 December 2018

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HUTCHISON BIOFILM MEDICAL SOLUTIONS LIMITED
(incorporated in Bahamas with limited liability)

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	2018 US\$	2017 US\$
Research and development fees	(726,915)	(938,708)
Professional fees	(500,023)	(1,463,587)
Business travelling expenses	(241)	(1,695)
Administrative expenses	(12,189)	(6,692)
Foreign Exchange gain/ (loss)	(1,261)	(27,280)
Profit (Loss) before income tax	(1,240,629)	(2,437,962)
Income tax expense	-	-
Profit (Loss) after income tax	(1,240,629)	(2,437,962)
Other comprehensive income	-	-
Total comprehensive loss for the year attributable to the shareholders	(1,240,629)	(2,437,962)

HUTCHISON BIOFILM MEDICAL SOLUTIONS LIMITED
(incorporated in Bahamas with limited liability)

STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2018

	Note	2018 US\$	2017 US\$
Current assets			
Amount due from a group company			
- Hutchison Water Israel Ltd	4	197,336	253,655
Other receivables		5	5
Cash at bank and in hand		896,332	369,978
Input VAT		6,686	200
Total Current Assets		<u>1,100,359</u>	<u>623,838</u>
Current liabilities			
Amount due from / to a group company			
- Hutchison Biofilm Medical Solutions Inc	4	(108,094)	(337,944)
Accruals and other payables		(90,920)	(249,228)
Total Current Liabilities		<u>(199,014)</u>	<u>(587,172)</u>
Net Assets		<u>901,345</u>	<u>36,666</u>
Capital and reserves			
Share capital	5	104	100
Reserves		<u>901,241</u>	<u>36,566</u>
Total shareholder funds		<u>901,345</u>	<u>36,666</u>

The financial statements on pages 3 to 9 were approved by the board of directors on 17 December 2019 and signed on its behalf by

Director



Director



HUTCHISON BIOFILM MEDICAL SOLUTIONS LIMITED
(incorporated in Bahamas with limited liability)

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share capital US\$	Share premium US\$	Capital reserves US\$	Accumulated losses US\$	Total shareholder funds US\$
At 1 January 2017	100	3,257,731	4,381,274	(7,364,477)	274,628
Capital injection	-	2,200,000	-	-	2,200,000
Loss for the financial year	-	-	-	(2,437,962)	(2,437,962)
At 31 December 2017	100	5,457,731	4,381,274	(9,802,439)	36,666
Share issue	4	5,304	-	-	5,308
Capital Injection	-	2,100,000	-	-	2,100,000
Loss for the financial year	-	-	-	(1,240,629)	(1,240,629)
At 31 December 2018	104	7,563,035	4,381,274	(11,043,068)	901,345

HUTCHISON BIOFILM MEDICAL SOLUTIONS LIMITED
(incorporated in Bahamas with limited liability)

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	2018 US\$	2017 US\$
Cash flows from operating activities		
Loss for the year	(1,240,629)	(2,437,962)
(Increase) / decrease in other receivables	-	37,996
Increase / (decrease) in amount due to immediate holding company - Hutchison Water International Holdings (BVI) Limited	-	(102,689)
Increase / (decrease) in amount due to a group company - Hutchison Biofilm Medical Solutions Inc	(229,850)	(556,800)
Increase in net amount due from a group company - Hutchison Water Israel Ltd	56,319	(339,553)
Increase / (decrease) in accruals and other payables	(164,795)	10,794
Net cash flows used in operating activities	<u>(1,578,955)</u>	<u>(3,388,214)</u>
Financing activity		
Proceeds from capital injection/issuance of shares	<u>2,105,308</u>	2,200,000
Net cash flows from financing activity	<u>2,105,308</u>	2,200,000
Changes in cash and cash equivalents	<u><u>526,353</u></u>	<u><u>(1,188,214)</u></u>

HUTCHISON BIOFILM MEDICAL SOLUTIONS LIMITED
(incorporated in Bahamas with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activity of the Company is biofilm research and development and commercialization

The Company is a private company, limited by shares, incorporated in the Bahamas.

Address of UK Establishment: Hutchison House, 5 Hester Road, Battersea, London, SW11 4AN, United Kingdom

The Company domiciles in the United Kingdom.

UK Establishment Number: BR018145

Company Number of UK Establishment: FC033062

2. ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention except for certain financial instruments which are stated at fair values, as explained in the significant accounting policies.

b) Foreign currency translation

The financial statements are presented in US Dollars, which is the Company's functional and presentational currency. Transactions denominated in foreign currencies are translated at the rate prevailing at the time of the transaction. Monetary assets or liabilities denominated in foreign currencies, which are held at the end of the year, are translated at the year-end rate of exchange. Exchange differences on monetary items are taken to the Statement of Comprehensive Income.

c) Critical accounting estimates and judgements

The preparation of financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the financial statements. The Company bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions. There is nothing material in the financial statements that has been estimated.

d) Trade and other receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowance for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

e) Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

HUTCHISON BIOFILM MEDICAL SOLUTIONS LIMITED
(incorporated in Bahamas with limited liability)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Company's activities may expose it to certain financial risks, including foreign currency risk, credit risk and liquidity risk. Financial risk management is carried out by the treasury function of the ultimate holding company in accordance with policies and procedures approved by its Executive Directors, which are also subject to periodic review by the internal audit function of the ultimate holding company. The treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to minimise the financial risks. The treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for risks, and for providing cost efficient funding to individual entities.

(i) Foreign currency risk

The Company has minimal exposure to foreign currency risk as transactions are mainly denominated in US dollars which is the functional currency of the Company. The Company does not consider its foreign currency risk exposure to be significant.

(ii) Credit risk

The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Credit risk arising from amount due from a group company and other receivable is not significant to the Company.

(iii) Liquidity risk

The Company's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient liquid financial assets to meet those requirements

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Undiscounted cashflows of less than 1 year
At 31 December 2018	
Amount due to a group company - Hutchison Biofilm Medical Solutions Inc	<u>(108,094)</u> <u>(108,094)</u>
Accruals and other payables	<u>(90,920)</u>
At 31 December 2017	
Amount due to a group company - Hutchison Biofilm Medical Solutions Inc	<u>(337,944)</u> <u>(337,944)</u>
Accruals and other payables	<u>(249,228)</u>

(b) Capital risk management

The Company regards its total equity as capital. The Company regularly reviews and manages its capital balance to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders

HUTCHISON BIOFILM MEDICAL SOLUTIONS LIMITED
(incorporated in Bahamas with limited liability)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. AMOUNT DUE FROM (TO) A GROUP COMPANY AND IMMEDIATE HOLDING COMPANY

The amounts due are unsecured, interest free and has no fixed terms of repayment. The carrying values of these financial liabilities approximate their fair values

5. SHARE CAPITAL

	2018 US\$	2017 US\$
<i>Authorised:</i>		
4,990,480 Ordinary Shares of US\$0.01 each (2017: 4,990,480 Ordinary shares of US\$0.01 each)	49,905	49,905
2,375 Preferred A Shares of US\$0.01 each (2017: 2,375 Preferred A shares of US\$0.01 each)	24	24
7,145 Preferred A-1 Shares of US\$0.01 each (2017: 7,145 Preferred A-1 Shares of US\$0.01 each)	71	71
	<u>50,000</u>	<u>50,000</u>
<i>Issued and fully paid:</i>		
925 Ordinary Shares of US\$0.01 each (2017: 500 Ordinary Shares of US\$0.01 each)	9	5
2,375 Preferred A Shares of US\$0.01 each (2017: 2,375 Preferred A Shares of US\$0.01 each)	24	24
7,128 Preferred A-1 Shares of US\$0.01 each (2017: 7,127 Preferred A-1 Shares of US\$0.01 each)	71	71
	<u>104</u>	<u>100</u>

6. INCOME TAX EXPENSE

There was no tax payable or receivable for the year ended 31 December 2018 (2017: nil).

	2018 US\$	2017 US\$
Profit (Loss) for the year	<u>(1,240,629)</u>	<u>(2,437,962)</u>
Corporation tax on loss before taxation at 19.00% (2017: 19.25%)	(235,719)	(469,308)
Effect of:		
Carried forward for use in future years	<u>235,719</u>	<u>469,308</u>
Total income tax	<u>-</u>	<u>-</u>

The Company made a loss for the year ended 31 December 2018 and no tax was payable.

7. DIRECTORS' EMOLUMENTS

	2018 US\$	2017 US\$
Aggregate emoluments	<u>24,000</u>	<u>24,000</u>

8. HOLDING COMPANIES

The immediate holding company is Hutchison Water International Holdings (BVI) Limited, a company incorporated in the British Virgin Islands. The ultimate holding and controlling company was CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands and listed in Hong Kong until 22 December 2017, after which the ultimate holding and controlling company was changed to Hutchison Water Holdings Limited with registered office at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.