# China Bio-Med Regeneration Technology Limited
# 中國生物醫學再生科技有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8158)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 APRIL 2012

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, for which the directors of China Bio-Med Regeneration Technology Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to China Bio-Med Regeneration Technology Limited. The directors of China Bio-Med Regeneration Technology Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## FINAL RESULTS

The board of directors (the "Board") of China Bio-Med Regeneration Technology Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 April 2012, together with the comparative figures in 2011, as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 30 April 2012*

| | Notes | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **Revenue** | 3 | **128** | 2,621 |
| Cost of sales | | **(85)** | (933) |
| **Gross profit** | | **43** | 1,688 |
| Other income | | **2,070** | 2,911 |
| Administrative expenses | | **(69,685)** | (54,528) |
| **Operating loss** | | **(67,572)** | (49,929) |
| Finance costs | 5 | **(1,540)** | (2,592) |
| **Loss before income tax** | 6 | **(69,112)** | (52,521) |
| Income tax credit | 8 | **970** | 1,950 |
| **Loss for the year** | | **(68,142)** | (50,571) |
| **Other comprehensive income** | | | |
| Exchange gain on translation of financial statements of foreign operations | | **2,138** | 6,040 |
| **Total comprehensive income for the year** | | **(66,004)** | (44,531) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(57,109)** | (42,061) |
| Non-controlling interests | | **(11,033)** | (8,510) |
| | | **(68,142)** | (50,571) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **(55,051)** | (36,500) |
| Non-controlling interests | | **(10,953)** | (8,031) |
| | | **(66,004)** | (44,531) |
| **Loss per share for loss attributable to owners of the Company** | 10 | | |
| **– basic (HK cents)** | | **(0.809)** | (0.639) |
| **– diluted (HK cents)** | | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
*As at 30 April 2012*

| | Notes | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **118,089** | 65,683 |
| Land use rights and operating lease prepayments | | **5,157** | 5,132 |
| Investment property | | **1,015** | – |
| Goodwill | *11* | **141,310** | 141,310 |
| Other intangible assets | *12* | **179,247** | 192,723 |
| | | **444,818** | 404,848 |
| **Current assets** | | | |
| Inventories | | **704** | 221 |
| Trade receivables | *13* | **23** | 3,142 |
| Deposits, prepayments and other receivables | *13* | **15,042** | 71,615 |
| Cash and cash equivalents | | **39,700** | 37,959 |
| | | **55,469** | 112,937 |
| **Current liabilities** | | | |
| Trade payables | *14* | **3,671** | 1,602 |
| Accrued charges and other payables | | **76,921** | 54,034 |
| Amounts due to non-controlling interests of subsidiaries | | **7,729** | 20,344 |
| Bank borrowings | | **37,125** | – |
| Provision for taxation | | **975** | – |
| | | **126,421** | 75,980 |
| **Net current (liabilities)/assets** | | **(70,952)** | 36,957 |
| **Total assets less current liabilities** | | **373,866** | 441,805 |
| **Non-current liabilities** | | | |
| Deferred taxation | | **21,208** | 23,143 |
| **Net assets** | | **352,658** | 418,662 |
| **EQUITY** | | | |
| Share capital | | **70,569** | 70,569 |
| Reserves | | **267,368** | 322,419 |
| **Equity attributable to owners of the Company** | | **337,937** | 392,988 |
| **Non-controlling interests** | | **14,721** | 25,674 |
| **Total equity** | | **352,658** | 418,662 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 30 April 2012*

| | Attributable to owners of the Company | | | | | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium* | Translation reserve* | Special reserve* | Other reserve* | Convertible bonds equity reserve* | Accumulated losses* | Total | | |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 May 2010 | 54,769 | 334,998 | 1,179 | (200) | – | 16,466 | (60,030) | 347,182 | 66,874 | 414,056 |
| Deemed acquisition of non-controlling interests | – | – | – | – | 33,169 | – | – | 33,169 | (33,169) | – |
| Exercise of share options | 800 | 4,100 | – | – | – | – | – | 4,900 | – | 4,900 |
| Conversion of convertible bonds | 15,000 | 45,703 | – | – | – | (16,466) | – | 44,237 | – | 44,237 |
| **Transactions with owners** | 15,800 | 49,803 | – | – | 33,169 | (16,466) | – | 82,306 | (33,169) | 49,137 |
| **Loss for the year** | – | – | – | – | – | – | (42,061) | (42,061) | (8,510) | (50,571) |
| **Other comprehensive income** | | | | | | | | | | |
| Exchange gain on translation of financial statements of foreign operations | – | – | 5,561 | – | – | – | – | 5,561 | 479 | 6,040 |
| **Total comprehensive income for the year** | – | – | 5,561 | – | – | – | (42,061) | (36,500) | (8,031) | (44,531) |
| **At 30 April 2011 and 1 May 2011** | 70,569 | 384,801 | 6,740 | (200) | 33,169 | – | (102,091) | 392,988 | 25,674 | 418,662 |
| **Loss for the year** | – | – | – | – | – | – | (57,109) | (57,109) | (11,033) | (68,142) |
| **Other comprehensive income** | | | | | | | | | | |
| Exchange gain on translation of financial statements of foreign operations | – | – | 2,058 | – | – | – | – | 2,058 | 80 | 2,138 |
| **Total comprehensive income for the year** | – | – | 2,058 | – | – | – | (57,109) | (55,051) | (10,953) | (66,004) |
| **At 30 April 2012** | 70,569 | 384,801 | 8,798 | (200) | 33,169 | – | (159,200) | 337,937 | 14,721 | 352,658 |

* The aggregate amount of these balances of HK$267,368,000 (2011: HK$322,419,000) in surplus is included as reserves in the consolidated statement of financial position.

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for their acquisition at the time of the Group's reorganisation in 2001.

The other reserve represents the difference between the fair value of consideration paid to increase the shareholding in a subsidiary, Shaanxi Aierfu Activitissue Engineering Company Limited, and the amount of adjustment to non-controlling interests during the year ended 30 April 2011.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30 April 2012*

### 1. GENERAL INFORMATION

China Bio-Med Regeneration Technology Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (Revision 2001) of the Cayman Islands on 20 April 2001. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104 and its principal place of business is Suites 3101-5, 31st Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are the production and sales of tissue engineering products. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules").

As at 30 April 2012, the Group had net current liabilities of HK$70,952,000 and incurred loss of HK$68,142,000 for the year ended 30 April 2012. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In presenting the consolidated financial statements for the year ended 30 April 2012, the directors of the Company have given considerations to the future financial positions of the Group in light of the financial conditions as described in the preceding paragraph. The directors of the Company are taking active steps to improve the financial position of the Group as described below.

The consolidated financial statements have been prepared on the assumption that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 30 April 2012 and subsequently thereto up to the date of the approval of these consolidated financial statements. In order to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the Company has entered into a memorandum of understanding with independent third parties on 19 July 2012 ("MOU"). Pursuant to the MOU, the Company will issue not less than 300,000,000 new ordinary shares of HK$0.01 each at a price not lower than HK$0.22 per share to independent third parties within three months from the date of MOU. The estimated gross proceeds will be not less than HK$66,000,000.

As such, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

If these measures were not to be successful or insufficient, or if the going concern basis were not to be appropriate, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these potential adjustments has not been reflected in the financial statements.

## 2. ADOPTION OF NEW OR AMENDED HKFRSs

During the year, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these new and amended HKFRSs did not result in material changes to the Group's accounting policies.

**HKAS 24 (Revised) – Related Party Disclosures**

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has revised its accounting policy for the identification of its related parties and has reassessed counterparties of transactions in accordance with the revised definition. The reassessment did not result in new related parties being identified. Related parties identified in prior years remain unchanged under the new accounting policy and the Group concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

At the date of this announcement, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

**Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income**

This standard is effective for accounting periods beginning on or after 1 July 2012. The amendments change the disclosure of items presented in other comprehensive income in the statement of comprehensive income and require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has changed to "Statement of profit or loss and other comprehensive income". However, HKAS 1 permits entities to use other titles.

**HKFRS 9 Financial instruments**

This standard is effective for accounting periods beginning on or after 1 January 2015. Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

## 2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

**HKFRS 10 Consolidated Financial Statements**

This standard is effective for accounting periods beginning on or after 1 January 2013. HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

## 3. REVENUE

The Group's turnover, represents revenue from its principal activities, measured at the net invoiced value of goods sold, after allowances for returns and trade discounts during the years presented.

## 4. SEGMENT INFORMATION

The executive directors have identified the Group's tissue engineering as operating segment.

The operating segment is monitored and strategic decisions are made on the basis of adjusted segment operating results.

| | **Tissue engineering** | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Revenue | | |
| – From external customers | **128** | 2,621 |
| Reportable segment revenue | **128** | 2,621 |
| Reportable segment loss | **(54,831)** | (32,154) |
| Amortisation of land use rights and operating lease prepayments | **108** | 107 |
| Amortisation of other intangible assets | **15,411** | 15,340 |
| Depreciation | **2,200** | 1,581 |
| Interest income | **1,598** | 2,899 |
| Reportable segment assets | **322,979** | 340,279 |
| Additions to non-current segment assets during the year | **53,441** | 27,983 |
| Reportable segment liabilities | **87,005** | 75,423 |

## 4. SEGMENT INFORMATION *(Continued)*

The totals presented for the Group's operating segment reconcile to the Group's key financial figures as presented in the financial statements as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Reportable segment revenue | **128** | 2,621 |
| Group revenue | **128** | 2,621 |
| Reportable segment loss | **(54,831)** | (32,154) |
| Unallocated corporate income | **330** | 11 |
| Unallocated corporate expenses | **(13,071)** | (17,786) |
| Finance costs | **(1,540)** | (2,592) |
| Loss before income tax | **(69,112)** | (52,521) |
| Reportable segment assets | **322,979** | 340,279 |
| Investment property | **1,015** | – |
| Other corporate assets | **176,293** | 177,506 |
| Group assets | **500,287** | 517,785 |
| Reportable segment liabilities | **87,005** | 75,423 |
| Bank borrowings | **37,125** | – |
| Provision for taxation | **975** | – |
| Deferred taxation | **21,208** | 23,143 |
| Other corporate liabilities | **1,316** | 557 |
| Group liabilities | **147,629** | 99,123 |

The Group's revenue from external customers and its non-current assets are divided into the following geographical areas:

| | **Revenue from external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **–** | – | **1,165** | 1,770 |
| The PRC (domicile) | **128** | 2,621 | **443,653** | 403,078 |
| | **128** | 2,621 | **444,818** | 404,848 |

During the year, 82% (2011: 98%) of the Group's revenue depended on a single customer. As at 30 April 2012, 0% of the Group's trade receivables was due from this customer (2011: 99%).

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on (1) the physical location of the assets (for property, plant and equipment, land use rights and operating lease prepayments and investment property) and (2) location of operations (for goodwill and other intangible assets). The Company is an investment holding company where the Group has majority of its operation and workforce in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

## 5. FINANCE COSTS

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings, other payables and amounts due to non-controlling interests of subsidiaries wholly repayable within one year | **3,433** | 1,415 |
| Imputed interest on convertible bonds | **–** | 1,177 |
| Total borrowing costs | **3,433** | 2,592 |
| Less: Amount capitalised *(note)* | **(1,893)** | – |
| | **1,540** | 2,592 |

*Note:* Borrowing costs capitalised during the year arose from the bank borrowings specifically for the construction of the factory building in the PRC. Such amount was capitalised in the construction in progress during the year.

## 6. LOSS BEFORE INCOME TAX

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before income tax has been arrived at after charging/(crediting): | | |
| Auditor's remuneration | **602** | 527 |
| Amortisation of land use rights and operating lease prepayments | **108** | 107 |
| Amortisation of other intangible assets | **15,411** | 15,340 |
| Depreciation | **2,203** | 1,581 |
| Exchange difference, net | **1** | 1,252 |
| Operating lease rentals in respect of office premises | **4,130** | 3,466 |
| Research and development costs | **14,668** | 6,971 |
| Employee benefit expense (including directors' emoluments) *(note 7)* | **15,687** | 12,820 |
| Other receivables written off | **138** | 5,081 |
| Fair value gain on investment property | **(327)** | – |
| Rental income | **(59)** | – |
| Interest income | **(1,633)** | (2,909) |

## 7. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Wages and salaries | **12,988** | 11,182 |
| Pension costs – defined contribution plans | **1,284** | 940 |
| Other staff benefits | **1,415** | 698 |
| | **15,687** | 12,820 |

## 8. INCOME TAX CREDIT

No Hong Kong Profits Tax has been provided as the Group has no assessable profits for the year (2011: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates (2011: Nil).

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax – the PRC | **965** | – |
| Deferred taxation | **(1,935)** | (1,950) |
| Total income tax credit | **(970)** | (1,950) |

Reconciliation between income tax credit and accounting loss at applicable tax rates:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss before income tax** | **(69,112)** | (52,521) |
| Tax at Hong Kong profits tax rate of 16.5% (2011: 16.5%) | **(11,403)** | (8,665) |
| Effect of different tax rates of subsidiaries operating in the PRC | **850** | 505 |
| Tax effect of expenses not deductible for tax purpose | **9,584** | 6,229 |
| Tax effect of income not taxable for tax purpose | **(1)** | (19) |
| **Income tax credit** | **(970)** | (1,950) |

## 9. DIVIDENDS

The directors do not recommend the payment of a dividend for the year (2011: Nil).

## 10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attributable to owners of the Company for the purpose of basic loss per share | **(57,109)** | (42,061) |

| | **2012** | 2011 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **7,056,880** | 6,578,579 |

Diluted loss per share for the year ended 30 April 2012 is not presented as there were no potential ordinary shares in issue during the year. Diluted loss per share for the year ended 30 April 2011 was not presented as the potential ordinary shares had anti-dilutive effect.

## 11. GOODWILL

This arose from the acquisition of FD(H) Investments Limited and its subsidiaries, which are engaged in the production and sales of tissue engineering skin related products, in 2008. The net carrying amount of goodwill can be analysed as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At beginning of the year | | |
| Gross carrying amount | **141,310** | 141,310 |
| Accumulated impairment | **–** | – |
| Net carrying amount | **141,310** | 141,310 |
| Net carrying amount at beginning of the year | **141,310** | 141,310 |
| Impairment losses | **–** | – |
| Net carrying amount at end of the year | **141,310** | 141,310 |
| At end of the year | | |
| Gross carrying amount | **141,310** | 141,310 |
| Accumulated impairment | **–** | – |
| Net carrying amount | **141,310** | 141,310 |

The recoverable amounts for the cash-generating unit of tissue engineering was determined based on fair value less costs to sell calculations using discounted cash flow technique, covering detailed five-year budget plans, followed by an extrapolation of expected cash flows with no growth. The pre-tax discount rate used for fair value less cost to sell calculation is 16% (2011: 16%), which reflects specific risks relating to the relevant cash-generating unit.

Apart from the considerations described above in determining the fair value less costs to sell of the cash-generating unit, the Group's management is not currently aware of any other probable changes that would necessitate changes in their key assumptions. However, the estimate of recoverable amount of the Group's cash generating units is particularly sensitive to the discount rate applied.

## 12. OTHER INTANGIBLE ASSETS

| | Trademark<br>*HK$'000* | Patents<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|
| **At 1 May 2010** | | | |
| Cost | 79,983 | 149,209 | 229,192 |
| Accumulated amortisation | (7,998) | (14,712) | (22,710) |
| Net book amount | 71,985 | 134,497 | 206,482 |
| **Year ended 30 April 2011** | | | |
| Opening net book amount | 71,985 | 134,497 | 206,482 |
| Exchange differences | 2 | 1,579 | 1,581 |
| Amortisation | (5,337) | (10,003) | (15,340) |
| Closing net book amount | 66,650 | 126,073 | 192,723 |
| **At 30 April 2011** | | | |
| Cost | 79,985 | 151,066 | 231,051 |
| Accumulated amortisation | (13,335) | (24,993) | (38,328) |
| Net book amount | 66,650 | 126,073 | 192,723 |
| **Year ended 30 April 2012** | | | |
| Opening net book amount | 66,650 | 126,073 | 192,723 |
| Additions | – | 1,208 | 1,208 |
| Exchange differences | – | 727 | 727 |
| Amortisation | (5,337) | (10,074) | (15,411) |
| Closing net book amount | 61,313 | 117,934 | 179,247 |
| **At 30 April 2012** | | | |
| Cost | 79,985 | 153,197 | 233,182 |
| Accumulated amortisation | (18,672) | (35,263) | (53,935) |
| **Net book amount** | **61,313** | **117,934** | **179,247** |

## 13. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | **2012**<br>***HK$'000*** | 2011<br>*HK$'000* |
|---|---|---|
| Trade receivables | **23** | 3,142 |
| Deposits | **13,642** | 18,347 |
| Prepayments | **292** | 256 |
| Loan receivable *(note)* | **–** | 39,068 |
| Other receivables | **1,108** | 13,944 |
| | **15,042** | 71,615 |

*Note:* During the year ended 30 April 2011, the Group granted a loan of RMB30 million to a third party with a maturity period of four months and interest bearing at 24% per annum. This loan receivable was fully repaid during the year.

## 13. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

Ageing analysis of trade receivables, as at 30 April 2012, based on sales invoice date and net of provisions, is as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–60 days | **–** | 3,118 |
| 61–90 days | **–** | – |
| Over 90 days | **23** | 24 |
| | **23** | 3,142 |

The Group allows an average credit period of 60 days to its customers.

The carrying amount of trade receivables is considered as reasonable approximation of their fair value. Impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors and default or delinquency in payments are considered indicators that the trade receivable is impaired. All of the Group's trade receivables have been reviewed for indicators of impairment.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. Ageing analysis of trade receivables not impaired is as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Neither past due nor impaired | **–** | 3,118 |
| 1–60 days past due | **–** | – |
| 61–90 days past due | **–** | – |
| Over 90 days past due but less than one year | **23** | 24 |
| | **23** | 24 |
| | **23** | 3,142 |

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to customer that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collaterals in respect of trade receivables past due but not impaired.

## 14. TRADE PAYABLES

As at 30 April 2012, ageing analysis of trade payables based on invoice date is as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–30 days | **95** | 259 |
| 31–60 days | **277** | 63 |
| Over 60 days but less than 1 year | **3,299** | 1,280 |
| | **3,671** | 1,602 |

General credit terms granted by suppliers are 30 days to 60 days.

## EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor's report for the year ended 30 April 2012 has been modified but without qualification, an extract of which is as follows:

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Emphasis of matter

Without qualifying our opinion, we draw your attention to note 2.1* to the consolidated financial statements concerning the adoption of going concern basis on which the consolidated financial statements have been prepared. As at 30 April 2012, the Group had net current liabilities of HK$70,952,000 and the Group also incurred loss of HK$68,142,000 for the year then ended. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

* Being note 1 in this results announcement

## MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 30 April 2012, the revenue of the Group was approximately HK$128,000, representing a decrease of 95%, compared to that of the last year (2011: approximately HK$2,621,000). The Group has recorded a loss attributable to owners of the Company approximately HK$57,109,000 (2011: approximately HK$42,061,000), which is mainly due to the new plant was under trial production where the products were mostly used in clinical test and only generated small amount of revenue.

## OPERATIONS REVIEW

### The Completion of the Industrial Base

In the past year, through the unyielding efforts of the scientific and technological researchers of 陝西艾爾膚組織工程有限公司 Shaanxi Aierfu Activtissue Engineering Company Limited* (hereinafter referred to as "Shaanxi Aierfu Activtissue"), a subsidiary of our Group, and by the management team of the Group, the new plant of Shaanxi Aierfu Activtissue, has completed its installation of all equipment and reached the trial production phase. On 20 February, 2012, the ceremony for the completion of the plant was held in Shaanxi. The construction of the plant relied on self-developed innovation and is based on the domestic scientific and technological strength in designing the relevant equipments and technical processes. In addition, the plant has been coordinating with the relevant authorities in formulating the production line specifications. We have finally established the first stem cells and tissue engineering industrial base in China and realized the industrialization of the first tissue engineering products in China.

The tissue engineering skin "安體膚" ("ActivSkin") is the product first produced in the plant. The product has outstanding effects in relieving pains suffered by patients, in shortening healing time, in avoiding scar after recovery and in treatments of burns and scalding. It is also used for curing chronic refractory ulcers of diabetic feet. Presently "ActivSkin" is undergoing clinic trials of diabetic feet ulcers treatment and has achieved good curative results. Upon the inspection and acceptance of the plant reaching the national standards, "ActivSkin" will be available for sale in the market once the production plant meet the germ-free standards.

In order to facilitate the launch of the sales of "ActivSkin", the sales team had begun to contact major hospitals during the past months, and had established the network to cater for the distribution of the products.

### The Progress of the Clinical R&D Projects of Shaanxi Aierfu Activtissue and its Subsidiaries

*Clinical R&D Programs of Shaanxi Aierfu Activtissue*

ActivSkin is the principal product of Aierfu at the present time. We have continuously worked with 4 large hospitals to expand the applications of the product. 73 clinical trials on diabetic feet repair were completed by the end of April 2012. We aim to complete all the required clinical tests (144 instead of the 120 minimum required) before the end of 2012 and apply for authorization by National Food and Medicine Administrators in the first half of 2013.

Another skin product used on Second Degree Burns has also entered clinical trials and has so far completed 44 tests.

The cornea product developed by our Shaanxi AiNear Cornea Engineering Company Limited subsidiary in Shenzhen has completed 98 clinical tests by the end of April 2012. We are planning to finish 150 tests (from the required 120 tests) before the beginning of the 2013 and start applying for the production license in middle of 2013.

The “Selective Acellular Porcine Skin” which is developed by our subsidiary AiBosin Bio-Engineering Company Limited, mainly used on large-area burns and ulcers has also conducted 19 clinical tests by April 2012.

## BUSINESS OUTLOOK

As an emerging discipline developed in recent decades, tissue engineering has a broad prospect for its application and is known as the new medical miracle. It is a multi disciplinary fringe subject, an integration of cytology, engineering, material science and surgery. Therefore, the general production staff in our factory is required to possess a bachelor’s degree, or at least collegiate levels. More dedicated research and development staff will be recruited by the Group in future to speed up the development and research of other products for the Group and to optimize the technology, in order to enhance the performance of the Group’s business.

As our factory has achieved the commercialization standard, it could commence sales after the certification of satisfying the national standard. In addition to “ActivSkin”, the range of the products produced by our factory in Xian will be further expanded in the next few years, including artificial cornea, acellular dermal matrix removed of living cells and containing other bioactive components as well as “Selective Acellular Porcine Skin” whose materials are derived from allogenic skins. The eventual industrialization of those products currently at the clinical stage marks the tremendous breakthrough by China in the research and application of tissue engineering, which could benefit the patients and generate significant economic benefits for the Group.

In addition, the Group will look for investment opportunities in the markets and proactively seek other relevant cooperation opportunities in order to achieve better financial performance.

## GROUP CAPITAL RESOURCES AND LIQUIDITY

### Shareholders’ Funds

The shareholder’s equity of the Group as at 30 April 2012 is approximately HK$352,658,000 which was decreased compared to approximately HK$418,662,000 in the previous year.

### Liquidity and Financial Resources

As at 30 April 2012, the Group had net current liabilities of approximately HK$70,952,000 (2011: net current assets of approximately HK$36,957,000). The current assets mainly comprised inventories of approximately HK$704,000 (2011: approximately HK$221,000), trade receivables of approximately HK$23,000 (2011: approximately HK$3,142,000), deposits, prepayments and other receivables of approximately HK$15,042,000 (2011: approximately HK$71,615,000), and cash and cash equivalents of approximately HK$39,700,000 (2011: approximately HK$37,959,000). The Company intends to raise fund by placing new shares to independent third parties to finance the Group’s future operations, capital expenditure and other capital requirements. The current liabilities mainly comprised trade payable of approximately HK$3,671,000 (2011: approximately HK$1,602,000), accrued charges and other payables of approximately HK$76,921,000 (2011: approximately HK$54,034,000), amounts due to non-controlling interests of subsidiaries of approximately HK$7,729,000 (2011: approximately HK$20,344,000), bank borrowings of approximately HK$37,125,000 (2011: Nil) and provision for taxation of approximately HK$975,000 (2011: Nil).

### Capital Structure

The number of issued shares of the Company is 7,056,880,000 as at 30 April 2012 and the date of this announcement. There is no change during the year.

### Working Capital and Gearing Ratio

As at 30 April 2012, the Group had current assets of approximately HK$55,469,000 (2011: approximately HK$112,937,000), while its current liabilities stood at approximately HK$126,421,000 (2011: approximately HK$75,980,000). Other than bank borrowings of HK$37,125,000 (2011: Nil), the Group did not have any outstanding indebtedness as at 30 April 2012, and its shareholders' funds amounted to approximately HK$352,658,000 (2011: approximately HK$418,662,000). In this respect, the Group had a net current liabilities position, its working capital ratio (current assets to current liabilities) was 0.44 (2011: 1.49); and its gearing ratio (net debt to shareholders' funds) was 0.105 (2011: Nil).

## SIGNIFICANT INVESTMENT

As at 30 April 2012, the Group has no financial assets at fair value through profit or loss (2011: Nil).

## CAPITAL COMMITMENTS

Capital commitment of the Group as at 30 April 2012 is approximately HK$2,592,000 (2011: approximately HK$34,662,000). It is related to the purchase of property, plant and equipment contracted but not provided for net of deposit paid amount.

## MATERIAL ACQUISITIONS/DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 31 May 2011, Shaanxi AiNear Cornea Engineering Company Limited, a subsidiary of the Company, entered into the agreements with an independent third party and the close relative of Mr. Yang Zhengguo, an Executive Director of the Company, to acquire 100% of equity interest of Shenzhen AiNear Cornea Engineering Company Limited at the total consideration of HK$2,380,000.

Save as disclosed above, the Group had no material acquisitions/disposal of subsidiaries and associated companies during the year under review.

## SUBSEQUENT EVENTS

On 19 July 2012, the Company entered into a memorandum of understanding with independent third parties ("MOU"). Pursuant to the MOU, the Company will issue an aggregate of not less than 300,000,000 new ordinary shares of HK$0.01 each at a price of not lower than HK$0.22 per share to independent third parties within three months from the date of the MOU. The estimated gross proceeds will be not less than HK$66,000,000.

## SEGMENTAL INFORMATION

Segmental information of the Group is set out in note 4 to this results announcement.

## EMPLOYEE INFORMATION AND REMUNERATION POLICIES

As at 30 April 2012, the Group had 199 (2011: 165) employees located in Hong Kong and Mainland China. As an equal opportunity employer, the Group's remuneration and bonus policies are determined with reference to the performance and experience of individual employees. The total amount of employee remuneration (including that of the directors and retirement benefits scheme contributions) of the Group for the year was approximately HK$15,687,000 (2011: approximately HK$12,820,000).

In addition, the Group may offer options to reward employees who exhibit that they have offered significant contributions to the Group.

## CHARGES ON GROUP'S ASSETS

A bank loan with principal amounts of RMB30,000,000 are secured by the Group's property, plant and equipment and land use rights with carrying amounts of approximately HK$90,955,000 (2011: Nil) and HK$5,157,000 (2011: Nil) respectively.

## DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Company has entered into a non-legally binding memorandum of understanding with independent third parties on 19 July 2012 ("MOU"). Pursuant to the MOU, the Company will issue not less than 300,000,000 new ordinary shares of HK$0.01 each at a price not lower than HK$0.22 per share to independent third parties ("the Placing").

The Board considers that it is beneficial for the Company to carry out the Placing to raise funds for improvement of its financial position as well as business development. However, the terms of the Placing are still under negotiation and no definitive agreement has been signed yet.

## FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs cost in Hong Kong dollars and Renminbi. The Directors consider the impact of foreign exchange exposure of the Group is minimal.

## CONTINGENT LIABILITIES

As at 30 April 2012, the Group did not have any contingent liabilities (2011: Nil).

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## CORPORATE GOVERNANCE PRACTICE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices to the former Appendix 15 of the GEM Listing Rules (the "Old CG Code") from 1 May 2011 to 31 March 2012 and complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the existing Appendix 15 of the GEM Listing Rules (the "New CG Code") from 1 April 2012 to 30 April 2012 except the code provisions E.1.2 and A.5.4 of the Old CG Code as disclosed below:

(i) Code provision E.1.2 of the Old CG Code specifies that the chairman of the board should attend the annual general meeting of the Company. Dr. Gao Gunter ("Dr. Gao"), the chairman of the Board has been heavily involved in the business operations of the Group. Despite his utmost intention to be present at the Company's 2011 annual general meeting held on 14 September 2011 (the "AGM"), Dr. Gao was unable to attend the AGM due to other urgent business commitments of the Group. While Mr. Wong Sai Hung, Oscar, non-executive Director and the vice chairman of the Company, has taken the chair of that meeting thereat to be available to answer question to ensure effective communication with the shareholders of the Company.

(ii) Code provision A.5.4 of the Old CG Code specifies that the directors must comply with their obligations under the required standard of dealing set out in rules 5.48 to 5.67 of the GEM Listing Rules. While Mr. Dai Yumin ("Mr. Dai"), the executive Director, has breached rule 5.56 of the GEM Listing Rules as to the spouse of Mr. Dai has acquired a total of 52,620,000 shares of the Company. The trading dates of the acquisitions of shares are from 15 February 2011 to 21 February 2011 and from 17 June 2011 to 24 June 2011 which are during the blackout periods for the purpose of fulfilling the migration requirements but she has not notified Mr. Dai or the chairman of the Company. When Mr. Dai was aware of the above acquisitions of shares, he has notified the Company and the Stock Exchange immediately.

(iii) Following the resignation of Mr. Cheung Siu Chung on 11 May 2011, the Company only have two independent non-executive Directors and two audit committee members, the number of which falls below the minimum number required under Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. Following the appointment of Mr. Chan Wing Hang as an independent non-executive Director, a member of audit committee, nomination committee and remuneration committee of the Company on 9 August 2011, the Company has fully complied with the requirement of Rules 5.05(1) and Rule 5.28 of the GEM Listing Rules.

## AUDIT COMMITTEE

The Company set up an audit committee on 4 July 2001 with written terms of reference which was revised on 15 March 2012 in compliance with the New CG Code, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee of the Company currently comprises three independent non-executive Directors, namely Mr. Lui Tin Nang, Mr. Sze Chin Hung and Mr. Chan Wing Hang. The audit committee of the Company has reviewed and discussed with the management and the external auditors financial reporting matters including the annual results for the year ended 30 April 2012.

## SECURITIES DEALING CODE

The Company has adopted a code of conduct regarding Directors' securities transactions as set out in GEM Listing Rules as the required standard for securities transactions by the Directors. Having made specific enquiry of all Directors, each of the Directors, except Mr. Dai as disclosed under the section of "Corporate Governance Practice", has confirmed that they have fully complied with the required standards of dealings regarding securities transaction by the Directors as set out on GEM Listing Rules throughout the year ended 30 April 2012.

## APPRECIATION

On behalf of the Board, I wish to extend my appreciation to our valuable shareholders, clients, business partners and alliances for their ongoing support, and to every staff and management for their hard work and dedication throughout the year.

By order of the Board
**China Bio-Med Regeneration Technology Limited**
**Gao Gunter**
*Chairman*

Hong Kong, 19 July 2012

*As at the date of this announcement, the executive Directors are Dr. Gao Gunter, Mr. Luo Xian Ping, Mr. Dai Yumin and Mr. Yang Zheng Guo; the non-executive Directors are Mr. Wong Sai Hung, Oscar, Mr. Sze Cheung Pang and Mr. Ma Long; and the independent non-executive Directors are Mr. Lui Tin Nang, Mr. Sze Chin Hung and Mr. Chan Wing Hang.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of this announcement and the Company's website at www.bmregeneration.com.*