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 2014

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.

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 2014, together with the comparative figures in 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 April 2014

	Notes	**2014** ***HK$'000***	2013 *HK$'000*
Revenue	*2*	**510**	1,377
Cost of sales		**(352)**	(1,615)
Gross profit/(loss)		**158**	(238)
Other income		**5,662**	6,788
Administrative expenses		**(136,879)**	(74,230)
Finance costs	*4*	**(2,532)**	(1,694)
Impairment of goodwill	*11*	**(141,657)**	-
Loss before income tax	*5*	**(275,248)**	(69,374)
Income tax credit	*7*	**3,951**	1,890
Loss for the year		**(271,297)**	(67,484)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(10,004)**	3,605
Total comprehensive income for the year		**(281,301)**	(63,879)
Loss for the year attributable to:			
Owners of the Company		**(263,442)**	(61,320)
Non-controlling interests		**(7,855)**	(6,164)
		(271,297)	(67,484)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(273,259)**	(57,612)
Non-controlling interests		**(8,042)**	(6,267)
		(281,301)	(63,879)
Loss per share for loss for the year attributable to the owners of the Company	*9*		
Basic (HK cents)		**(2.668)**	(0.828)
Diluted (HK cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**141,348**	130,577
Land use rights		**4,980**	5,162
Goodwill	11	**152,268**	141,310
Other intangible assets	12	**485,629**	164,437
Debt element of convertible bond	13	**-**	4,261
		784,225	445,747
Current assets			
Inventories		**2,247**	509
Trade receivables	14	**393**	26
Deposits, prepayments and other receivables	14	**55,459**	34,574
Options embedded in convertible bond	13	**-**	2
Cash and cash equivalents		**119,018**	272,327
		177,117	307,438
Current liabilities			
Trade payables	15	**1,097**	834
Accrued charges and other payables	16	**53,101**	57,286
Amounts due to non-controlling interests of subsidiaries		**-**	6,889
Bank borrowings	17	**37,455**	37,980
		91,653	102,989
Net current assets		**85,464**	204,449
Total assets less current liabilities		**869,689**	650,196
Non-current liabilities			
Deferred taxation		**89,639**	19,278
Net assets		**780,050**	630,918
EQUITY			
Share capital	18	**117,629**	90,119
Reserves		**659,434**	532,313
Equity attributable to owners of the Company		**777,063**	622,432
Non-controlling interests		**2,987**	8,486
Total equity		**780,050**	630,918

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2014

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Special reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	Accumulated losses HK$'000	Sub-total HK$'000	HK$'000	HK$'000
At 1 May 2012	70,569	384,801	8,798	(200)	33,169	(159,200)	337,937	14,721	352,658
Loss for the year	-	-	-	-	-	(61,320)	(61,320)	(6,164)	(67,484)
Other comprehensive income									
Exchange gain / (loss) on translation of financial statements of foreign operations	-	-	3,708	-	-	-	3,708	(103)	3,605
Total comprehensive income for the year	-	-	3,708	-	-	(61,320)	(57,612)	(6,267)	(63,879)
Loss on deemed acquisition of non-controlling interests	-	-	-	-	(32)	-	(32)	32	-
Shares issued at premium	19,550	328,050	-	-	-	-	347,600	-	347,600
Shares issue expenses	-	(5,461)	-	-	-	-	(5,461)	-	(5,461)
At 30 April 2013 and 1 May 2013	90,119	707,390	12,506	(200)	33,137	(220,520)	622,432	8,486	630,918
Loss for the year	-	-	-	-	-	(263,442)	(263,442)	(7,855)	(271,297)
Other comprehensive income									
Exchange loss on translation of financial statements of foreign operations	-	-	(9,817)	-	-	-	(9,817)	(187)	(10,004)
Total comprehensive income for the year	-	-	(9,817)	-	-	(263,442)	(273,259)	(8,042)	(281,301)
Acquisition of non-controlling interests (note 22)	12,510	431,595	-	-	(443,600)	-	505	(505)	-
Acquisition of subsidiaries (note 21)	15,000	412,500	-	-	-	-	427,500	-	427,500
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	3,048	3,048
Shares issue expenses	-	(115)	-	-	-	-	(115)	-	(115)
At 30 April 2014	117,629	1,551,370	2,689	(200)	(410,463)	(483,962)	777,063	2,987	780,050

Notes:

(i) 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.

(ii) The other reserve represents the difference between the fair value of consideration paid to increase the shareholding in a subsidiary, Shaanxi Aierfu Activtissue Engineering Company Limited ("Shaanxi Aierfu"), and the amount of adjustment to non-controlling interests during the years ended 30 April 2011, 2013 and 2014.

1. ADOPTION OF NEW OR AMENDED HKFRSs

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

HKFRSs (Amendments) - Annual Improvements 2010-2012 Cycle
The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income
The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis. The title used by HKAS 1 for the statement of comprehensive income has changed to "Statement of profit or loss and other comprehensive income". The Group has applied the new terminology to rename "statement of comprehensive income" as "statement of profit or loss and other comprehensive income" and made disclosures in the other comprehensive income section such that items of other comprehensive income may be recycled subsequently to profit or loss is disclosed. The Group has adopted the amendments retrospectively for the year ended 30 April 2013. The comparative information has been restated to comply with the amendments.

As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities
The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 "Financial instruments: Presentation" and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has no offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

HKFRS 10 - Consolidated Financial Statements
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 accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 May 2013.

1. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

HKFRS 12 - Disclosure of Interests in Other Entities
HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 12 affects only disclosure, there is no effect on the Group's financial position and performance. This standard has no material impact on the Group's financial statements.

HKFRS 13 – Fair Value Measurement
HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively. HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

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

The directors of the Company 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 32 - Offsetting Financial Assets and Financial Liabilities
This standard is effective for accounting periods beginning on or after 1 January 2014. The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 - Financial Instruments
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 derecognition of financial assets and financial liabilities.

2. 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.

3. 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	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
- From external customers	**510**	1,377
Reportable segment revenue	**510**	1,377
Reportable segment loss	**(224,037)**	(48,108)
Amortisation of land use rights	**112**	110
Amortisation of other intangible assets	**24,191**	15,395
Impairment of goodwill	**141,657**	-
Depreciation	**5,742**	3,132
Interest income	**91**	244
Reportable segment assets	**856,416**	496,617
Additions to non-current segment assets during the year	**13,716**	14,155
Reportable segment liabilities	**47,494**	63,631

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:

	2014	2013
	HK$'000	*HK$'000*
Reportable segment revenue	**510**	1,377
Group revenue	**510**	1,377
Reportable segment loss	**(224,037)**	(48,108)
Unallocated corporate income	**348**	200
Unallocated corporate expenses	**(49,027)**	(19,772)
Finance costs	**(2,532)**	(1,694)
Loss before income tax	**(275,248)**	(69,374)
Reportable segment assets	**856,416**	496,617
Debt element of convertible bond	**-**	4,261
Option embedded in convertible bond	**-**	2
Cash and cash equivalents	**73,899**	248,292
Other corporate assets	**31,027**	4,013
Group assets	**961,342**	753,185
Reportable segment liabilities	**47,494**	63,631
Bank borrowings	**37,455**	37,980
Deferred taxation	**89,639**	19,278
Other corporate liabilities	**6,704**	1,378
Group liabilities	**181,292**	122,267

3. SEGMENT INFORMATION *(Continued)*

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 (excluding debt element of convertible bond)	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**-**	-	**5,711**	194
The PRC (domicile)	**510**	1,377	**778,514**	441,292
	510	1,377	**784,225**	441,486

During the year, 25% (2013: 98%) and 12% (2013: Nil) of the Group's revenue depended on two (2013 : one) customers respectively. As at 30 April 2014, 33% (2013: 68%) and 20% (2013: Nil) of the Group's trade receivables was due from these two (2013 : one) customers respectively.

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 and land use rights) 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".

4. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on bank borrowings, other payables and amounts due to non-controlling interests of subsidiaries, wholly repayable within one year	**2,532**	4,685
Less: Amount capitalised (*note*)	**-**	(2,991)
	2,532	1,694

Note:

Borrowing costs capitalised for the year ended 30 April 2013 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 for the year ended 30 April 2013.

5. LOSS BEFORE INCOME TAX

	2014 *HK$'000*	2013 *HK$'000*
Loss before income tax has been arrived at after charging/(crediting):		
Auditor's remuneration	**792**	605
Amortisation of land use rights	**112**	110
Amortisation of other intangible assets, included in administrative expenses	**24,191**	15,395
Depreciation	**6,161**	3,135
Exchange difference, net	**454**	1,125
Operating lease rentals in respect of office premises	**10,076**	4,423
Provision for debt element of convertible bond	**4,503**	-
Research and development costs	**40,993**	21,481
Less: Capitalisation to other intangible assets	**(5,671)**	-
	35,322	21,481
Employee benefit expense (including directors' emoluments) (note 6)	**40,809**	22,629
Less: Employee benefit expenses included in research and development costs	**(13,900)**	(5,657)
	26,909	16,972
Other receivables written off	**55**	141
Fair value loss on investment property	**-**	209
Change in fair value of derivatives embedded in convertible bond	**2**	730
Imputed interest income on convertible bond	**(242)**	(193)
Interest income	**(199)**	(251)
Loss on disposals of property, plant and equipment, net	**105**	5
Other payables and amounts due to non-controlling interests of subsidiaries waived	**-**	(5,873)

6. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2014 *HK$'000*	2013 *HK$'000*
Wages and salaries	**37,798**	19,439
Pension costs – defined contribution plans	**2,276**	1,471
Other staff benefits	**735**	1,719
	40,809	22,629

7. INCOME TAX CREDIT

No Hong Kong Profits Tax has been provided as the Group has no assessable profits for the year (2013: 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.

	2014	2013
	HK$'000	*HK$'000*
Profit Tax – for the year		
Hong Kong	**-**	-
The PRC	**92**	40
Deferred taxation	**(4,043)**	(1,930)
Total income tax credit	**(3,951)**	(1,890)

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

	2014	2013
	HK$'000	*HK$'000*
Loss before income tax	**(275,248)**	(69,374)
Tax at Hong Kong profits tax rate of 16.5% (2013:16.5%)	**(45,416)**	(11,446)
Effect of different tax rates of subsidiaries operating in the PRC	**382**	747
Tax effect of expenses not deductible for tax purpose	**39,188**	6,878
Tax effect of income not taxable for tax purpose	**(173)**	(33)
Tax effect of tax losses not recognised	**1,976**	1,924
Under provision in prior year	**92**	40
Income tax credit	**(3,951)**	(1,890)

8. DIVIDENDS

The directors do not recommend the payment of a dividend for the year (2013: Nil).

9. 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:

	2014	2013
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(263,442)**	(61,320)

	2014	2013
Number of shares:	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**9,875,806**	7,409,579

Diluted loss per share for the years ended 30 April 2014 and 30 April 2013 were not presented as there was no potential ordinary share in issue during the years.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000*	Leasehold improvement *HK$'000*	Furniture and equipment *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At 1 May 2012							
Cost	-	-	26,876	615	4,611	90,955	123,057
Accumulated depreciation	-	-	(2,195)	(416)	(2,357)	-	(4,968)
Net book amount	-	-	24,681	199	2,254	90,955	118,089
Year ended 30 April 2013							
Opening net book amount	-	-	24,681	199	2,254	90,955	118,089
Exchange differences	(4)	-	512	1	24	1,464	1,997
Disposals	-	-	-	-	(529)	-	(529)
Additions	-	-	12,099	121	255	1,680	14,155
Transfers	94,099	-	-	-	-	(94,099)	-
Depreciation	(145)	-	(1,982)	(91)	(917)	-	(3,135)
Closing net book amount	93,950	-	35,310	230	1,087	-	130,577
At 30 April 2013							
Cost	94,099	-	39,613	743	2,951	-	137,406
Accumulated depreciation	(149)	-	(4,303)	(513)	(1,864)	-	(6,829)
Net book amount	93,950	-	35,310	230	1,087	-	130,577
Year ended 30 April 2014							
Opening net book amount	93,950	-	35,310	230	1,087	-	130,577
Exchange differences	(1,280)	3	(513)	(8)	(15)	-	(1,813)
Disposal	-	-	(532)	(55)	(10)	-	(597)
Additions	349	7,437	8,343	120	611	-	16,860
Acquisitions through business combinations (note 21)	-	-	2,088	207	187	-	2,482
Depreciation	(1,789)	(362)	(3,311)	(140)	(559)	-	(6,161)
Closing net book amount	91,230	7,078	41,385	354	1,301	-	141,348
At 30 April 2014							
Cost	93,147	7,438	48,839	986	3,597	-	154,007
Accumulated depreciation	(1,917)	(360)	(7,454)	(632)	(2,296)	-	(12,659)
Net book amount	**91,230**	**7,078**	**41,385**	**354**	**1,301**	**-**	**141,348**

As at 30 April 2014, certain of the Group's property, plant and equipment with net carrying amount of HK$91,230,000 (2013: HK$93,950,000) were pledged to secure the bank borrowings granted to the Group (note 17).

11. GOODWILL

The goodwill arose from (1) the acquisition of FD(H) Investments Limited and its subsidiaries (“Aierfu Business”), which are engaged in the production and sales of tissue engineering skin related products, in 2008 and (2) the acquisition of Maylion Management Limited and its subsidiary (“Reshine Business”), which is engaged in bio-medical engineering, research and development of regenerative medical products in relation to tissue-engineering technology in December 2013.

The net carrying amount of goodwill can be analysed as follows:

	2014			2013
	Aierfu Business	**Reshine Business**	**Total**	Aierfu Business
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
At beginning of the year				
Gross carrying amount	**141,310**	**-**	**141,310**	141,310
Accumulated impairment	**-**	**-**	**-**	-
Net carrying amount	**141,310**	**-**	**141,310**	141,310
Net carrying amount at beginning of the year	**141,310**	**-**	**141,310**	141,310
Business combinations (note 21)	**-**	**152,615**	**152,615**	-
Impairment losses	**-**	**(141,657)**	**(141,657)**	-
Net carrying amount at end of the year	**141,310**	**10,958**	**152,268**	141,310
At end of the year				
Gross carrying amount	**141,310**	**152,615**	**293,925**	141,310
Accumulated impairment	**-**	**(141,657)**	**(141,657)**	-
Net carrying amount	**141,310**	**10,958**	**152,268**	141,310

For the purpose of impairment testing, goodwill is allocated to two cash generating units, Aierfu Business and Reshine Business.

The recoverable amounts for the cash-generating unit of Aierfu Business was determined based on fair value less cost to sell calculation using discounted cash flow technique, covering detailed five-year budget plans, followed by an extrapolation of expected cash flows with 3% growth rate. The post-tax discount rate used for fair value less cost to sell calculation is 18% (2013: 18%) per annum, which reflects specific risks relating to the relevant cash-generating unit.

The recoverable amounts for the cash-generating unit of Reshine Business was determined based on fair value less cost to sell calculation using discounted cash flow technique, covering detailed five-year budget plans, followed by an extrapolation of expected cash flows with 3% growth rate. The post-tax discount rate used for fair value less cost to sell calculation is 22% per annum, which reflects specific risks relating to the relevant cash-generating unit.

The key assumptions for the fair value less cost to sell calculation are those regarding the discount rate, growth rate and budgeted gross margin, which had been determined based on the market comparables and budgeted revenue, which had been determined based on the management’s expectation for the market development and the production capacity of relevant cash generating units.

11. GOODWILL *(continued)*

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. During the year, the Group carried out a review of the recoverable amount of its cash generating units because the cash generating units of Aierfu Business and Reshine Business had not yet generated revenue and made losses during the year. An impairment loss of HK$141,657,000 (2013: Nil) was recognised in profit or loss for the year ended 30 April 2014 to write down the carrying amount of the relevant assets of the cash generating unit of Reshine Business to its recoverable amount.

The goodwill arose from the acquisition of Reshine Business mainly represented the difference between the fair values of the shares of the Company on the completion date of acquisition in December 2013 and the date of signing sales and purchase agreement in July 2013. The impairment loss recognised during the year represented an elimination of such difference.

The recoverable amount has been determined based on fair value less cost to sell estimated by an independent professional valuer, Roma Appraisal Limited with the discount cash flow approach. The fair values less cost to sell of these cash generating units are classified as level 3 measurement.

There were no changes to the valuation techniques during the year.

12. OTHER INTANGIBLE ASSETS

	Trademark	**Patents**	**Development costs**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 1 May 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
Year ended 30 April 2013				
Opening net book amount	61,313	117,934	-	179,247
Exchange differences	-	585	-	585
Amortisation	(5,337)	(10,058)	-	(15,395)
Closing net book amount	55,976	108,461	-	164,437
At 30 April 2013				
Cost	79,985	154,058	-	234,043
Accumulated amortisation	(24,009)	(45,597)	-	(69,606)
Net book amount	55,976	108,461	-	164,437
Year ended 30 April 2014				
Opening net book amount	55,976	108,461	-	164,437
Acquisitions through business combinations (note 21)	-	330,117	19,648	349,765
Additions	-	3,096	2,575	5,671
Exchange differences	-	(9,502)	(551)	(10,053)
Amortisation	(5,338)	(18,853)	-	(24,191)
Closing net book amount	50,638	413,319	21,672	485,629
At 30 April 2014				
Cost	79,985	477,508	21,672	579,165
Accumulated amortisation	(29,347)	(64,189)	-	(93,536)
Net book amount	**50,638**	**413,319**	**21,672**	**485,629**

13. DEBT ELEMENT OF CONVERTIBLE BOND/OPTIONS EMBEDDED IN CONVERTIBLE BOND

On 1 June 2012, the Group subscribed the zero coupon convertible bond with an aggregate amount of HK$4,800,000 issued by the Incorporation of Financial Technicians Limited, a private company incorporated in Hong Kong with limited liability, with maturity on 31 May 2015. The Group is entitled to exercise the conversion option at any time during the period commencing from the date of issue of the convertible bond up to the close of business on a date no later than five business days prior to the date fixed for redemption thereof. The conversion price is HK$1 per share.

The movement of the carrying amount of the components of the convertible bond is set out below:

	Debt element *HK$'000*	**Derivative element** *HK$'000*	**Total** *HK$'000*
Subscription on 1 June 2012	4,068	732	4,800
Effective imputed interest income	193	-	193
Change in fair value	-	(730)	(730)
As at 30 April 2013	**4,261**	**2**	**4,263**
Effective imputed interest income	242	-	242
Provision	(4,503)	-	(4,503)
Change in fair value	-	(2)	(2)
As at 30 April 2014	**-**	**-**	**-**

(i) Valuation of debt element

The debt element is recognised at fair value at date of initial recognition and subsequently measured at amortised cost using the effective interest method. As at 30 April 2014, the carrying amount of the debt element is approximately HK$4,503,000 which was calculated based on the present value of contractually determined stream of cash flows discounted at the required yield, which was determined with reference to bond issuers of similar credit rating and remaining time to maturity. The effective interest rate of the debt component is 5.677% per annum. Full provision was made during the year as the director considered that it is remote to collect such receivable.

The fair value of the debt element at initial recognition is determined with reference to the valuation performed by an independent professional valuer.

(ii) Valuation of derivative element

The derivative element is recognised at fair value at initial recognition and subsequent measurement.

14. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**393**	26
Deposits	**10,499**	22,490
Prepayments	**9,556**	1,208
Other receivables	**35,404**	10,876
	55,459	34,574

Ageing analysis of trade receivables, as at 30 April 2014, based on sales invoice date and net of provisions, is as follows:

	2014	2013
	HK$'000	*HK$'000*
0-90 days	**155**	-
Over 90 days but less than 1 year	**238**	18
Over 1 year	**-**	8
	393	26

The Group allows an average credit period of 60-90 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:

	2014	2013
	HK$'000	*HK$'000*
Over 90 days past due but less than 1 year	**238**	18
Over 1 year	**-**	8
	238	26

Trade receivables that were past due but not impaired related to customers 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 collateral in respect of trade receivables past due but not impaired.

15. TRADE PAYABLES

As at 30 April 2014, ageing analysis of trade payables based on invoice date is as follows:

	2014	2013
	HK$'000	*HK$'000*
0-30 days	**133**	42
31-60 days	**12**	71
Over 60 days but less than 1 year	**387**	206
Over 1 year	**565**	515
	1,097	834

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

16. ACCRUED CHARGES AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Accrued charges	**4,382**	2,883
Other payables (note(a))	**9,983**	15,124
Government assistants (note(b))	**38,736**	39,279
	53,101	57,286

(a) As at 30 April 2014, other payables are unsecured, interest free and repayable on demand except the amount of HK$426,000, which was interest bearing at 5.5% per annum. As at 30 April 2013, other payables were unsecured, interest free and repayable on demand except for the amount of HK$2,976,000 would be repayable on or before 15 October 2013 by monthly instalments, of which HK$2,116,000 was settled before 15 October 2013 and the remaining balance was settled subsequent to the reporting date.

As at 30 April 2013, included in other payables, there was an amount due to a director of HK$280,000 which was unsecured, interest-free and repayable on demand.

(b) Government assistances represent payments granted by the local governments in the PRC in relation to the research and development of tissue engineering projects carried out in the PRC. These payments will be recognised as income upon the approval from the local government on the output of the relevant projects.

17. BANK BORROWINGS

As at 30 April 2014, the Group's bank borrowings are repayable as follows:

	2014	2013
	HK$'000	*HK$'000*
Bank loans, secured - repayable within one year	**37,455**	37,980

The interest-bearing bank borrowings are carried at amortised cost.

As at 30 April 2014, the bank borrowings represented bank loans with principal amounts of RMB30,000,000, which are repayable within one year. The bank loans are secured by the Group's property, plant and equipment and land use rights with carrying amounts of HK$91,230,000 (2013: HK$93,950,000) and HK$4,980,000 (2013: HK$5,162,000) respectively.

Interest rate of the bank borrowings is 8.400% (2013: ranged from 8.203% to 8.775%) per annum for the year.

18. SHARE CAPITAL

	2014		2013	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning of the year	**100,000,000,000**	**1,000,000**	10,000,000,000	100,000
Increase (note (i))	**-**	**-**	90,000,000,000	900,000
At end of the year	**100,000,000,000**	**1,000,000**	100,000,000,000	1,000,000
Issued and fully paid:				
At beginning of the year	**9,011,880,000**	**90,119**	7,056,880,000	70,569
Shares issued as consideration for the acquisitions (note (ii))	**2,751,000,000**	**27,510**	-	-
Shares issued in placing arrangement (note (iii))	**-**	**-**	1,955,000,000	19,550
At end of the year	**11,762,880,000**	**117,629**	9,011,880,000	90,119

Notes:

(i) Pursuant to an ordinary resolution passed on 3 April 2013, the authorised share capital of the Company was increased from HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each to HK$1,000,000,000 divided into 100,000,000,000 ordinary shares of HK$0.01 each.

(ii) On 11 December 2013, the Company allots 1,500,000,000 new ordinary shares to the vendor for the settlement of the consideration of the acquisition of 100% equity interest and a loan interest of Maylion Management Limited as set out in note 21. The share consideration is recognised based on the closing price of HK$0.285 per share quoted on the Hong Kong Stock Exchange on the issued date.

On 7 February 2014, the Company allots 1,251,000,000 new ordinary shares to the vendor for the settlement of the consideration of the acquisition of non-controlling equity interest in Shaanxi Aierfu and its subsidiaries and a loan interest as set out in note 22. The share consideration is recognised based on the closing price of HK$0.355 per share quoted on the Hong Kong Stock Exchange on the issued date.

Details of the share allotment were contained in the Company's announcement dated 11 December 2013 and 7 February 2014.

(iii) On 26 September 2012, pursuant to a placing agreement dated 14 August 2012 between the Company and a placing agent, the Company issued an aggregate of 455,000,000 new ordinary shares of HK$0.01 each at a price of HK$0.22 per share to a connected party.

On 11 April 2013, pursuant to a placing agreement dated 24 January 2013 between the Company and a placing agent, the Company issued an aggregate of 1,500,000,000 new ordinary shares of HK$0.01 each at a price of HK$0.165 per share to a connected party and an independent party.

Details of the share placement were contained in the Company's circular dated 4 September 2012 and 12 March 2013.

All these ordinary shares issued by the Company during the years rank pari passu with the then existing ordinary shares in all respects.

19. OPERATING LEASE COMMITMENTS

As lessee

The Group leases a number of properties under operating leases. The leases run for an initial period of one to five years. None of the leases include contingent rentals.

At the reporting date, the total future minimum lease payments under non-cancellable operating leases are as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**18,946**	9,561
In the second to fifth year inclusive	**33,049**	18,819
	51,995	28,380

20. CAPITAL COMMITMENTS

As at 30 April 2014, the Group had capital commitments as follows:

	2014	2013
	HK$'000	*HK$'000*
Contracted but not provided for:		
Purchase of property, plant and equipment	**1,234**	4,188
Authorised but not contracted for:		
Purchase of property, plant and equipment	**7,598**	-

21. BUSINESS COMBINATION

On 29 July 2013, the Group entered into a sale and purchase agreement to purchase 100% equity interests and a loan interest of Maylion Management Limited ("Maylion") and its subsidiary ("Maylion Group"), which is principally engaged in bio-medical engineering, research and development of regenerative medical products in relation to tissue-engineering technology. These regenerative medical products can be utilised in the areas of cosmetic, dermatology, tissue and organ reconstruction in the bio-medical industry. The acquisition was made with the aims to expand the Group's existing research and development of the tissue engineering products and to generate synergy through the acquisition. The acquisition was completed on 11 December 2013.

Pursuant to sale and purchase agreement, the Group agreed to purchase the entire issued share capital and a loan interest of Maylion at the date of the completion. The total consideration shall be settled by the Group by procuring the allotment and issue of 1,500,000,000 shares of the Company. The fair value of the newly issued shares of the Company, determined using the closing price of HK$0.285 per share quoted on the Hong Kong Stock Exchange on 11 December 2013, amounted to HK$427,500,000.

21. BUSINESS COMBINATION *(Continued)*

Details of fair value of identifiable assets and liabilities acquired were as follows:

	HK$'000
Property, plant and equipment (note 10)	2,482
Other intangible assets (note 12)	349,765
Inventories	575
Deposits, prepayments and other receivables	3,680
Cash and cash equivalents	1,398
Trade payables	(479)
Accrued charges and other payables	(6,009)
Amount due to the vendor	(169,583)
Deferred tax liabilities recognised upon fair value adjustments	(76,527)
Net assets acquired	105,302
Amount due to the vendor assigned to the Group	169,583
Goodwill on acquisition (note 11)	152,615
The fair value of consideration transfer:	
Total consideration satisfied by the Company's shares	427,500

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the subsidiaries was as follows:

	HK$'000
Cash and cash equivalents acquired	1,398
Net inflow of cash and cash equivalents	1,398

Since the acquisition date, Maylion Group has contributed HK$9,861,000 to Group's loss and has not yet generated any revenue during the period. If the acquisition had occurred on 1 May 2013, Group revenue and loss would have been HK$510,000 and HK$274,672,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 May 2013, nor is it intended to be a projection of future performance.

22. ACQUISITION OF NON-CONTROLLING INTERESTS OF SUBSIDIARIES AND FORMATION OF NON-WHOLLY OWNED SUBSIDIARY

On 1 November 2013, the Group entered into a Sale and Purchase agreement with beneficial owners of Best Profit Hong Kong Development Limited (the "Target Company"), which held the non-controlling interests of Shaanxi Aierfu and its subsidiaries, to acquire the shares and a loan interest of the Target Company. The consideration was satisfied by allotment of 1,251,000,000 shares of the Company to the vendor. Upon the completion, the above mentioned companies became indirect wholly-owned subsidiaries of the Company. The acquisition was completed on 7 February 2014. The fair value of the share consideration is HK$444,105,000, based on the closing price of HK$0.355 per share quoted on the Hong Kong Stock Exchange on that date. This transaction has been accounted for as an equity transaction with the non-controlling interests and resulted in a decrease in equity attributable to owners of the Company of HK$443,600,000, which included in other reserve.

On 17 January 2014, the Group entered into a cooperation agreement in relation to a cosmetic project with an independent third party. Pursuant to the cooperation agreement, Shanghai Hesidi Cosmetics Company Limited (the "Hesidi") was established in the People's Republic of China in February 2014, which is owned as to 51% by the Group and 49% by the independent third party. The capital contribution of RMB5 million has been made to Hesidi by both parties pursuant to their respective equity interests as aforementioned in April 2014.

23. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, Reshine has signed several sale agency agreements with sales agents for its product, the calcined bovine bone, in China and revenue has been generated since late June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in research and development of bio-medical and healthcare products, and medical techniques; the provision of the production and sales of tissue engineering products and its related by-products; as well as sales and distribution of medical products and equipment. In the bio-medical area, we prioritise and focus on regenerative medicine which basically has two arms, namely tissue engineering and stem cell therapy. As such, we will continue to seek cooperation opportunity with leading institutions and scientists for the research and development of regenerative medicine.

For the year ended 30 April 2014, we completed two major acquisitions, notably the acquisition of the remaining minority interest of Shaanxi Aierfu Activtissue Engineering Company Limited ("Shaanxi Aierfu") and its subsidiaries in February 2014 and 100% equity interest of Shaanxi Reshine Biotech Co., Ltd. ("Reshine") in December 2013. Following the completion of these acquisitions, Shaanxi Aierfu and its subsidiaries and Reshine became wholly-owned subsidiaries of the Company.

At present, the Group has three production plants with two located in Xi'an, Shaanxi Province, operated by Shaanxi Aierfu and Reshine, and one located in Shenzhen, Guangdong Province, operated by a wholly-owned subsidiary of Shaanxi Aierfu. The existing plants are to facilitate the Group's commercialisation of our existing and future products.

OPERATIONS REVIEW

<u>Medical Device Products - Tissue Engineering</u>

In general, the business development process of the Group's medical device products ("Business Development Process") is mainly involved the following five major stages:–

1. Research and development ("Stage I") which involves potential market researches; medical application analysis; product development, etc.;

2. Acquisition of the medical device manufacturer licence (醫療器械生產企業許可證) (the "Manufacturer Licence") (for clinical trials) and conducting clinical trials ("Stage II");

3. Completion of all of the clinical trials with satisfactory results ("Stage III") which involves the holding of a result conference with all clinical trials parties and the preparation of a summary report which has to be signed off by all clinical trials participated physicians and hospitals. The report signifies that a particular product is statistically feasible to apply on human beings;

4. Construction of production line during Stage II and Stage III above, and obtaining of medical device good manufacturing practice inspection result notice (醫療器械生產質量管理規範檢查結果通知書) (the "GMP Result Notice") after completion of required clinical trials and after 3 successful trial productions. This GMP Result Notice is a proof of passing certain required standards of the production facilities of a particular product ("Stage IV"); and

5. Obtaining the registration (or re-registration) certificates ("Stage V") from China Food and Drug Administration (國家食品藥品監督管理總局) ("CFDA") or provincial Food and Drug Administration. There are total of three certificates required to be obtained prior to commercialisation of products, they are the Manufacturer Licence, the GMP Result Notice and the registration certificate for medical device (醫療器械註冊證) (the "Product Certificate"). The Manufacturer Licence is issued to the manufacturer for the production of the medical device for a certain group of products whereas the Product Certificate issued for a particular product is the final required certificate prior to selling of a product.

ActivSkin

Our tissue-engineered skin, "ActivSkin" is the principal product of Shaanxi Aierfu. For the year ended 30 April 2014, we successfully acquired the GMP Result Notice of our current plant for the production of ActivSkin. In late April 2014, ActivSkin has obtained the re-registraton of the Product Certificate. With all required three certificates, the Manufacturer Licence, the GMP Result Notice and the Product Certificate obtained, ActivSkin has completed Stage V of the Business Development Process.

ActivSkin can relieve pains, shorten healing time and reduce scarring for treating of burns and scalds.

Following the completion of Stage V of the Business Development Process, active commercialisation of ActivSkin begins in the second half of 2014. The Group is in the middle of building up a sales team to take care of ActivSkin. We initially target to build our sales effort in four major cities, including Xi'an, Beijing, Shanghai, and Guangzhou. In addition, we will continuously and gradually penetrate other Top-Tier Class-A hospitals (三甲醫院) across China. We expect the commercial production and the building of our ActivSkin sales force to be completed in the second half of 2014.

Acellular Corneal Stroma

Our acellular corneal stroma, which is developed by a wholly-owned subsidiary of Shaanxi Aierfu, is currently at Stage V of the Business Development Process. We completed all required clinical trials in September 2013 and obtained the GMP Result Notice in May 2014. Thereafter, the application for its Product Certificate was submitted and accepted by CFDA in early June 2014.

The acellular corneal stroma is originated from porcine cornea, engineered with no living cell but retained its corneal matrix. This acellular corneal stroma is the first of its kind that has completed all the necessary and required clinical trials in the PRC. As compared to other artificial cornea which primarily used acrylic as the material to manufacture for transplant or for utilising merely as a device, the transplant of our acellular corneal stroma can be easier to be adapted by human beings with relatively minimal exclusion.

We expect to obtain its Product Certificate on or before the first half of 2015, and subsequently the commercial production and sale of this product will commence in year 2015.

Calcined Bovine Bone

Reshine's first self-developed product, calcined bovine bone ("CBB"), has completed Stage V of the Business Development Process after obtaining the Product Certificate in December 2013.

CBB is a protein-detracted natural bone regenerative product and a bone substitute material for inducing natural bone regeneration. It is intended to be used by dental professionals for the application of jawbone defect restoration, particularly in dental implant therapy and periodontal defects.

Since June 2014 until now, Reshine has signed several sale agency agreements (the "Sale Agreements") with sales agents for the implementation of our sales and marketing plan for major provinces/cities in China. The signing of the Sale Agreements signifies the beginning of CBB's commercialisation. The sale of CBB has commenced to contribute to the Group's revenues for the financial year ending 30 April 2015. In addition, as part of our marketing strategy, the Group will continue to negotiate with other agents and/or distributors in order to widen our coverage for the sale of CBB in other Asian countries/cities.

Acellular Small Intestinal Submucosa

Reshine has obtained the GMP Result Notice for acellular small intestinal submucosa ("SIS") in early May 2014. SIS is at Stage V of the Business Development Process. The application for the Product Certificate of SIS was submitted and accepted by CFDA in late May 2014.

SIS is applied to anal fistula disease without going through a major operation which is traditionally used to cure anal fistula.

We expect to obtain its Product Certificate on or before the first half of 2015, and subsequently the commercial production and sale of SIS will commence in year 2015.

R&D Projects

The Group continues to foster the research and development of products. The followings are our key products currently under research and development and at Stage II of the Business Development Process.

i) To broaden the applications of ActivSkin, we have continuously constructed the clinical trial protocols and will work with major hospitals on chronic refractory diabetes foot ulcers as well as other skin ulcer related applications.

ii) Recombinant human acellular dermal matrix, an economic version of ActivSkin, is mainly targeted on and applied for second degree burns.

iii) Selective acellular skin, which is developed by a wholly-owned subsidiary of Shaanxi Aierfu, is different from ActivSkin and recombinant human acellular dermal matrix and is used as function of wound dressings rather than as a substitute of human skin.

iv) Acellular amniotic membrane ("AAM"), which is developed by Reshine, is primarily used as an anti-adhesion agent for muscle and tender rebuilding operations. It can be used for repairing and restoring soft tissue organs defect and enhance healing in wounds.

v) Absorbable dental membrane ("ADM"), which is also developed by Reshine, is primarily applied for jawbone defect restoration, and is particular used together with our CBB to give a much better surgical outcome.

We expect clinical trials for recombinant human acellular dermal matrix and selective acellular skin to be completed by the end of 2014, although the response and reception from each individual trial sample/patient vary from case to case. The Group is committed to obtaining the respective targeted Product Certificates from CFDA for these products progressively in year 2016 and 2017.

In addition to the above, the Group is also in the process of research and development of other products.

Medical Techniques

In addition to medical device products, Reshine also participates in research and development of technological advanced medical techniques for enhancing the curative result.

Reshine completed the summary report of the clinical trials for its medical technique, namely technique for autologous chondrocyte sheet implant, in May 2014.

Technique for autologous chondrocyte sheet implant is a medical technique that builds under the influence of cartilage cell rebuilding technique for the repairs of cartilage damages. Cartilage cell (autologous cell) is extracted from patient's own cartilage and grows separately to form a chondrocyte sheet such that living cartilage cells can adhere together before implanting back to the patient. Technique for autologous chondrocyte sheet implant solves the issues other competitors are having difficulty of controlling cartilage cells leaking away after implanting.

The registration process for technique for autologous chondrocyte sheet implant with Shaanxi Health and Family Planning Commission (formerly known as Health Bureau of Shaanxi Province) has begun in June 2014, and it is expected to obtain relevant approval of medical technique application by June 2015.

In addition to the above, the Group is also in the process of research and development of other medical techniques.

BUSINESS OUTLOOK

With the increasing prevalence of the regenerative medicine related research and development, scientists from all over the world are stampeding to explore the possibility of transforming the results of these research and development into meaningful applications and products on human beings. Cooperating with the Fourth Military Medical University (第四軍醫大學), the Group's first tissue engineering product, the ActivSkin, is the first tissue engineering product that was recognised with a registered certificate in the PRC, and is the first and the only domestic tissue engineering product that contains active human cells, and internationally, after the US, the second approved (by relevant authorities) such skin therapeutic product. In addition, our tissue engineering production base in Xi'an, the Shaanxi Province was also the first of its kind in the PRC. The Group has successfully completed all five stages of the Business Development Process of our two self-developed products, the ActivSkin and CBB, and has begun the implementation of their sales programmes. We are committed to expediting the progress, targeting to achieve sales and make contributions to the Group for the financial year ending April 2015. Meanwhile, the Group will continuously devote our effort on research and development on various areas of the regenerative medicine spectrum, and will seek cooperation opportunities to build research and development centers in Hong Kong as well as in the PRC. At the same time, we will speed up the clinical trials endeavor on our existing products.

Cooperation with the Oxford University and Prof. Cui

In November 2013, we entered into a collaboration agreement with the University of Oxford (the "Oxford University") in relation to a research programme in the field of enabling technologies for stem cell therapy and tissue engineering for a period of 5 years. This research is supervised by Professor Zhanfeng Cui ("Prof. Cui"), who is a leading expert in tissue engineering and stem cell therapy technology. Prof. Cui is Donald Pollock Professor of Chemical Engineering at the Oxford University, the Director of the Oxford Centre for Tissue Engineering and Bioprocessing of the Oxford University and a Fellow of the Royal Academy of Engineering. We believe that this collaboration will offer opportunities to the Group in expanding its research and development capability as well as technological advances in regenerative medicine, which would enhance the Group's future business development in the long run.

The Company is continuously building staff competencies and capabilities to drive the long-term success of our business. In May 2014, three staff members were selected and designated to participate a training program at the Oxford University, which is organised and provided by Prof. Cui and his colleagues.

In November 2013, we also entered into a 5-year consultancy agreement with Prof. Cui for the provision of advisory on enhancing our production process and the overall efficiency of our existing plant and facilities, and the Group's research and development of new tissue engineering products and/or by-products. We believe that this consultancy agreement will enable the Group to enhance the production process, automation and standardisation of our existing plant and facilities, as well as driving the initiative development and application of the Group's regenerative medicine technology.

Apart from providing his professional advice, Prof. Cui also visits our Group periodically to provide on-site training and technical guidance. In the second quarter of 2014, the Group has entered into technical consultancy agreements with a company controlled by Prof. Cui for the provision of in-depth research and advice on our acellular corneal stroma to fine-tune the quality control and automation processes of its production.

Cooperation with the University of Hong Kong

In January 2013, we entered into a sponsorship agreement with the University of Hong Kong on a research project in the advanced stage that focuses on the understanding of the molecular mechanisms of aging and on the developing of stem cell based anti-aging strategy for a period of 5 years. We continue to have ongoing review and discussions with the University on the progress of the project.

The above-mentioned research sponsorship leads us into discussions with the University of Hong Kong to set up a project company in Hong Kong to develop supplements and Chinese medicine products which are intended to provide remedies for osteoporosis. We intend to push forward the path of developing supplements first, which does not require going through the registration procedures with relevant authorities. In addition, we are in the process of preparing the registration of a Chinese medicine product in Hong Kong which may take up to 2 years to complete all the registration procedures. Trial production, marketing, and clinical testing if necessary of these products are expected to follow thereafter.

Other Cooperation

In order to make use of the by-products generated from the production processes of our tissue engineering product, we entered into a cooperative agreement with an independent third party in January 2014 in which we will develop a series of cosmetic products, and a project company (the "Project Company") was established in February 2014. The series is expected to derive cosmetic products with the attributes of anti-aging, whitening, spot-removal, and daily-caring.

Subsequent to the reporting date, the Project Company has entered into a Development and Production agreement with a Switzerland based professional cosmetic company to develope our cosmetic products. Currently, the Project Company is carrying out preliminary works in building our cosmetic brand.

FUTURE PROSPECT

The Group continues to strive for opportunity to widen its business scope in the bio-medical area, as well as strengthening and maintaining as one of the leading pioneers in the medical and related industries. The Group is negotiating with renowned scientists for long-term collaborations to seek for new development in the bio-medical and/or medical related industries.

The PRC government has been committing to provide supports towards hi-tech industries, including regenerative medicine, a sub-division of the bio-medical industries. We will continuously strive for more assistance from the Chinese government to provide additional resources for broadening our R&D coverage on regenerative medicine spectrum. If we are able to access more support from local government, for example high-technology subsidies and relatively lower land cost, we may consider building additional plants as well as research centers on other suitable locations for our current and/or new products.

As the Group continues to identify and invest in suitable business opportunities and expand and improve in its research and development capability, the Board may consider fund raising activities if viable fund raising options, which are in the best interest of the Group and the shareholders of the Company, are available.

FINANCIAL REVIEW

Result

During the year under review, the Group's main operation Shaanxi Aierfu is still under trial production and accordingly, limited revenue was generated during the year.

Revenue of approximately HK$510,000 was generated for the year ended 30 April 2014, a decrease of approximately HK$870,000 as compared to approximately HK$1.38 million for the corresponding year in 2013. Loss for the year was approximately HK$271.30 million, the significant increases of approximately HK$203.82 million as compared to approximately HK$67.48 million for the year ended 30 April 2013 were mainly due to (i) the impairment on goodwill of approximately HK$141.66 million for the Reshine Business, for which such impairment loss recognised during the year represented an elimination of difference between the fair values of the shares of the Company on the completion date of acquisition in December 2013 and the date of signing sales and purchase agreement in July 2013; (ii) the provision of approximately HK$4.50 million for the debt element of convertible bond; (iii) the increase in research and development cost of approximately HK$13.84 million; and (iv) the increase in general operation expense, such as staff cost and office rental which was in line with the expansion of the group structure and operation activities.

Net Assets

The net assets of the Group as at 30 April 2014 is approximately HK$780.05 million, an increase of approximately HK$149.13 million, as compared to approximately HK$630.92 million as at 30 April 2013. This increase was primarily the net results of share-based acquisition transaction during the year for Reshine Business and loss for the year of approximately HK$271.30 million recorded during this financial year.

Liquidity and Financial Resources

The Group maintained a cash and cash equivalent of approximately HK$119.02 million (2013: HK$272.33 million) and had a net current assets of approximately HK$85.46 million (2013: HK$204.45 million) as at 30 April 2014. The decrease in cash and cash equivalent of approximately HK$153.31 million was mainly applied in operation cost, prepayment and settlement of payables related to the continuous research and development activities, construction of new production line, and acquisition of equipment.

In August 2013, the Group obtained a bank loan with principal amount of RMB30 million, approximately HK$37.46 million, which is repayable within one year, and secured by the Group's plant and land use rights.

In order to maintain a strong and healthy financial position for our current and future development, other than maintaining the existing loan facilities, the Group will actively liaise with financial institutions for additional loan facilities and consider fund raising activities if viable fund raising options, which are in the best interest of the Group and the shareholders as a whole, are available.

Working Capital and Gearing Ratio

As at 30 April 2014, the Group had current assets of approximately HK$177.12 million (2013: HK$307.44 million), while its current liabilities stood at approximately HK$91.65 million (2013: HK$102.99 million), representing a net current asset position with a working capital ratio (current assets to current liabilities) of 1.93 (2013: 2.99).

As at 30 April 2014, the Group's total borrowings amounted to approximately HK$38.75 million (2013: HK$47.85 million). The Group's borrowings included (i) bank loans of approximately HK$37.46 million (2013: HK$37.98 million); (ii) amounts due to non-controlling interests of subsidiaries of Nil (2013: HK$6.89 million); (iii) interest-free payable to independent third parties of approximately HK$0.86 million (2013: HK$2.98 million; and (iv) interest bearing payable to independent third parties of approximately HK$0.43 million (2013: Nil). The gearing ratio of the Group as at 30 April 2014, calculated as net debt to equity was 0.05 (2013: 0.08).

Capital Structure

During the year, the issued shares of the Company were increased by 2,751,000,000 shares to 11,762,880,000 shares as results of two acquisitions during this financial year.

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. The Directors consider the impact of foreign exchange exposure of the Group is minimal.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 29 July 2013, Million Profit Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in Maylion Management Limited ("Maylion") and a loan interest of Maylion, at a consideration of HK$202,500,000 ("Maylion Acquisition"). The consideration had been satisfied by the issue of 1,500,000,000 consideration shares of the Company at the issue price of HK$0.135 per consideration share to the vendor upon completion. The Maylion Acquisition was completed on 11 December 2013, and the issued shares of the Company were increased from 9,011,880,000 to 10,511,880,000.

Maylion is an investment holding company incorporated in the BVI on 13 September 2012 with limited liability. Maylion does not hold any material assets or liabilities other than the 100% equity interest in Shaanxi Reshine Biotech Co. Ltd. (陝西瑞盛生物科技有限公司) ("Reshine") and the loan from its shareholders.

Reshine is a company incorporated in the PRC on 12 March 2008 with a registered capital of RMB37,000,000 and is principally engaged in bio-medical engineering, research and development of regenerative medical products in relation to tissue-engineering technology.

Details of Maylion Acquisition were disclosed in the Company's announcement dated 29 July 2013.

On 1 November 2013, the Group entered into a sale and purchase agreement with Milage Link Global Group Limited ("Milage Link") to acquire 100% equity interest in Best Profit Hong Kong Development Limited ("Best Profit") and a loan interest of Best Profit, at a consideration of HK$227,682,000 for the remaining minority interest of the Group's non wholly-owned subsidiaries in the PRC (the "MI Acquisition"). The consideration had been satisfied by the issue of 1,251,000,000 consideration shares at the issue price of HK$0.182 per consideration share to the vendor upon completion. The MI Acquisition was completed on 7 February 2014. Upon completion of the MI Acquisition, Shaanxi Aierfu and its subsidiaries became indirect wholly-owned subsidiaries of the Company, and the issued shares of the Company were increased from 10,511,880,000 to 11,762,880,000.

Details of the MI Acquisition were disclosed in the Company's announcement dated 1 November 2013 and circular dated 4 December 2013.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and affiliated companies during the year.

CAPITAL COMMITMENTS

Save as disclosed in the note 20 to the financial statements, there was no material capital commitment of the Group as at 30 April 2014.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

A bank loan with principal amounts of RMB30 million is secured by the Group's property, plant and equipment and land use rights with carrying amounts of approximately HK$91.23 million (2013: HK$93.95 million) and HK$4.98 million (2013: HK$5.16 million) respectively.

As at 30 April 2014, the Group had no material contingent liabilities (2013: Nil).

CONNECTED TRANSACTION

As disclosed under the heading "MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES" above, on 1 November 2013, the Group entered into a sale and purchase agreement with Milage Link in relation to the MI Acquisition.

As at 1 November 2013, Mr. Yang Zhengguo, a non-executive Director, was a director and a substantial shareholder of Milage Link directly holding more than 30% interest of Milage Link. Milage Link was an associate of Mr. Yang Zhengguo and a connected person of the Company pursuant to Chapter 20 of the GEM Listing Rules.

Mr. Dai Yumin, an executive Director, was also a director and a shareholder of Milage Link directly holding 3% interest of Milage Link.

The MI Acquisition constituted a discloseable and connected transaction for the Company as defined under the GEM Listing Rules. The MI Acquisition was completed on 7 February 2014.

Details of the MI Acquisition were disclosed in the Company's announcement dated 1 November 2013 and circular dated 4 December 2013.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed above, the Directors do not have any plans for material investment or capital assets in the near future.

EMPLOYEE INFORMATION AND REMUNERATION POLICIES

As at 30 April 2014, the Group had 352 (2013: 243) 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$40.81 million (2013: HK$22.63 million).

In addition, the Group may offer options to employees as a recognition of and reward for their efforts and contributions to the Group.

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 Board is committed to maintaining a high standard of corporate governance practices. The Group believes that high standard of corporate governance provides a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of sound internal control, accountability and transparency to all shareholders of the Company and also meeting the expectations of the Group's various stakeholders.

The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 15 of the GEM Listing Rules (the "Corporate Governance Code") throughout the year ended 30 April 2014, except code provision E.1.2 of the Corporate Governance Code.

Under code provision E.1.2 of the Corporate Governance Code which requires that the Chairman of the Board should attend the annual general meeting of the Company. Professor Deng Shaoping, the Chairman of the Board was unable to attend the Company's annual general meeting held on 29 October 2013 due to his engagement in a medical conference. Mr. Wong Sai Hung, a non-executive Director and the Vice-Chairman of the Board, had taken the chair of that meeting therein to be available to answer question to ensure effective communication with the shareholders of the Company.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has four members, comprising all independent non-executive Directors, namely Mr. Lui Tin Nang (the chairman of the Audit Committee), Mr. Chan Wing Hang, Mr. Pang Chung Fai Benny and Mr. Chan Bing Woon. The Audit Committee has reviewed the Group's annual results for the year ended 30 April 2014.

SECURITIES DEALING CODE

The Company has adopted a code of conduct regarding Directors' securities transactions as set out in the GEM Listing Rules as the required standard for securities transactions by the Directors. Having made specific enquiry of all Directors, each of the Directors, has confirmed that they have fully complied with the required standards of dealings regarding securities transaction by the Directors as set out on the GEM Listing Rules throughout the year ended 30 April 2014.

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
Dai Yumin
Executive Director

Hong Kong, 17 July 2014

As at the date of this announcement, the executive Directors are Mr. Dai Yumin and Ms. Wang Yurong; the non-executive Directors are Professor Deng Shaoping, Mr. Wong Sai Hung, Mr. Cao Fushun, Mr. Yang Zhengguo, Mr. Ma Long and Mr. Wang Jianjun; and the independent non-executive Directors are Mr. Lui Tin Nang, Mr. Chan Wing Hang, Mr. Pang Chung Fai Benny and Mr. Chan Bing Woon, SBS, JP.

This announcement will remain on the "Latest Company Announcement" page of the GEM website at www.hkgem.com for at least seven days from the date of the publication and will be published on the website of the Company at www.bmregeneration.com.