

Geostar Mineral CORP  
Form 10-Q  
September 18, 2009

---

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarter ended July 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Commission file number 000-53051

Advanced BioMedical Technologies, Inc.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or organization)

18 Lake Ridge Drive  
Middletown, NY 10940  
(Address of principal executive offices, including zip code.)

(718) 766-7898  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

Edgar Filing: Geostar Mineral CORP - Form 10-Q

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of September 17, 2009, there are 55,614,000 shares of common stock outstanding.

All references in this Report on Form 10-Q to the terms “we”, “our”, “us”, the “Company”, “ABMT” and the “Registrant” refer to Advanced BioMedical Technologies, Inc.

---

ITEM 1. FINANCIAL STATEMENTS

The accompanying condensed unaudited financial statements of Advanced BioMedical Technologies, Inc., formerly known as Geostar Mineral Corporation, a Nevada corporation are condensed and, therefore, do not include all disclosures normally required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the Company's most recent annual financial statements for the year ended October 31, 2008 included in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on February 13, 2009. In the opinion of management, all adjustments necessary for a fair presentation have been included in the accompanying condensed financial statements and consist of only normal recurring adjustments. The results of operations presented in the accompanying condensed financial statements for the period ended July 31, 2009 are not necessarily indicative of the operating results that may be expected for the full year ending October 31, 2009.

---

ADVANCED BIOMEDICAL TECHNOLOGIES, INC  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JULY 31, 2009  
(UNAUDITED)

---

ADVANCED BIOMEDICAL TECHNOLOGIES, INC AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

CONTENTS

	Pages
<u>Condensed Consolidated Balance Sheets as of July 31, 2009 (unaudited) and October 31, 2008 (audited)</u>	F-1
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended July 31, 2009 and 2008 (unaudited) and the period from inception September 25, 2002 through July 31, 2009 (unaudited)</u>	F-2
<u>Consolidated Statements of Cash Flows for the nine months ended July 31, 2009 and 2008 (unaudited) and the period from inception September 25, 2002 through July 31, 2009 (unaudited)</u>	F-3
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	F-4 – F-8

---

ADVANCED BIOMEDICAL  
TECHNOLOGIES, INC. ("ABMT")  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED  
BALANCE SHEETS

## ASSETS

	July 31 2009 Unaudited	October 31 2008 Audited
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$58,149	\$78,876
Other receivables and prepaid expenses	17,143	8,161
Due from a noncontrolling stockholder of a subsidiary	765	-
<b>Total Current Assets</b>	<b>76,057</b>	<b>87,037</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>77,375</b>	<b>80,743</b>
<b>TOTAL ASSETS</b>	<b>\$153,432</b>	<b>\$167,780</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Other payables and accrued expenses	\$21,216	\$26,992
Due to a noncontrolling stockholder of a subsidiary	-	3,123
Due to a stockholder	330,469	85,156
Due to directors	238,230	251,713
Due to a related company	390,203	389,667
Due to a related party	332,877	161,553
<b>Total Current Liabilities</b>	<b>1,312,995</b>	<b>918,204</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>-</b>	<b>-</b>
<b>EQUITY</b>		
<b>ABMT Shareholder's equity</b>		
Common stock, \$0.00001 par value, 100,000,000 shares authorized and 55,614,000 shares issued and outstanding as of July 31, 2009 and 50,510,000 shares issued and outstanding as of October 31, 2008	556	505
Additional paid-in capital	384,462	392,074
Accumulated deficit during development stage	(1,461,348)	(1,060,813)
Accumulated other comprehensive loss	(83,233 )	(82,190 )
<b>Total AMBT Stockholders' Deficit</b>	<b>(1,159,563)</b>	<b>(750,424 )</b>
Noncontrolling interests	-	-
<b>Total Equity</b>	<b>(1,159,563)</b>	<b>(750,424 )</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$153,432</b>	<b>\$167,780</b>

The accompanying notes are an integral part of these condensed consolidated financial statements

F-1

---

ADVANCED BIOMEDICAL  
TECHNOLOGIES, INC. AND  
SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED  
STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE LOSS  
(UNAUDITED)

	Three months ended		Nine months ended		September 25, 2002 (Inception) through July 31, 2009
	July 31,		July 31,		
	2009	2008	2009	2008	
<b>OPERATING EXPENSES</b>					
General and administrative expenses	\$97,821	\$45,960	\$327,941	\$92,448	\$1,174,156
Depreciation	7,393	10,400	23,871	34,280	229,294
Research and development (Net of government grant)	(2,984 )	11	394	757	97,428
	102,230	56,371	352,206	127,485	1,500,878
<b>LOSS FROM OPERATIONS</b>	(102,230 )	(56,371 )	(352,206 )	(127,485 )	(1,500,878)
<b>OTHER INCOME (EXPENSES)</b>					
Other income	15	1,408	15	1,408	1,976
Interest income	25	46	82	253	1,484
Interest paid to a stockholder and related party	(10,277 )	(1,214 )	(24,017 )	(1,424 )	(29,570 )
Imputed interest	(7,866 )	(8,793 )	(23,847 )	(24,528 )	(140,919 )
Other expenses	(184 )	(138 )	(562 )	(293 )	(10,646 )
	(18,287 )	(8,691 )	(48,329 )	(24,584 )	(177,675 )
<b>LOSS FROM OPERATIONS BEFORE TAXES</b>	(120,517 )	(65,062 )	(400,535 )	(152,069 )	(1,678,553)
Add:					
Income tax expense	-	-	-	-	-
Net loss attributable to noncontrolling interests	-	-	-	-	217,205
<b>NET LOSS ATTRIBUTABLE TO AMBT COMMON STOCKHOLDERS</b>	(120,517 )	(65,062 )	(400,535 )	(152,069 )	(1,461,348)
<b>OTHER COMPREHENSIVE LOSS</b>					
Total other comprehensive loss	915	(1,037 )	(1,043 )	(47,225 )	(83,233 )



COMPREHENSIVE LOSS  
 ATTRIBUTABLE  
 TO ABMT COMMON  
 STOCKHOLDERS

	\$(119,602 )	\$(66,099 )	\$(401,578 )	\$(199,294 )	\$(1,544,581)
--	--------------	-------------	--------------	--------------	---------------

Net loss per share-basic and diluted	\$(0.00 )	\$(0.00 )	\$(0.01 )	\$(0.00 )	
--------------------------------------	-----------	-----------	-----------	-----------	--

Weighted average number of shares

outstanding during the period

- basic and diluted	55,614,000	50,510,000	54,459,080	50,510,000
---------------------	------------	------------	------------	------------

The accompanying notes are an integral part of these condensed consolidated financial statements

ADVANCED BIOMEDICAL TECHNOLOGIES,  
INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED STATEMENTS  
OF CASH FLOWS (UNAUDITED)

	For the nine months ended		September 25, 2002 (inception)
	July 31,		through July 31,
	2009	2008	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$(400,535 )	\$(152,069 )	\$(1,461,348)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation	23,871	34,280	229,294
Noncontrolling interests	-	-	(217,205 )
Imputed interest on advances from a stockholder	23,847	24,528	140,919
Changes in operating assets and liabilities (Increase) decrease in:			
Other receivables and prepaid expenses	(8,971 )	(308 )	(16,154 )
Increase (decrease) in:			
Other payables and accrued expenses	6,798	(29,284 )	10,698
Net cash used in operating activities	(354,990 )	(122,853 )	(1,313,796)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	(20,400 )	(1,449 )	(299,374 )
Due from stockholders	-	11,079	-
Due from a noncontrolling stockholder of a subsidiary	(765 )	-	(678 )
Net cash (used in) provided by investing activities	(21,165 )	9,630	(300,052 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Stock issued to founders	-	-	505
Contribution by stockholders	-	-	492,207
Distributed to stockholders	(31,408 )	-	(31,408 )
Due to a noncontrolling stockholder of a subsidiary	(3,126 )	4,409	-
Due to a stockholder	245,284	75,026	329,968
Due to directors	(13,823 )	(19 )	211,472
Due to a related company	-	39,361	346,059
Due to a related party	171,032	(35,013 )	295,869
Net cash provided by financing activities	367,959	83,764	1,644,672
<b>EFFECT ON EXCHANGE RATES ON CASH</b>	(12,531 )	6,095	27,325

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,727 )	(23,364 )	58,149
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	78,876	41,202	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$58,149	\$17,838	\$58,149

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES

On December 31, 2008, the Company issued 5,104,000 shares of common stock for recapitalization.

The accompanying notes are an integral part of these condensed consolidated financial statements

ADVANCED BIOMEDICAL TECHNOLOGIES, INC AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments consisting only of normal recurring accruals considered necessary to present fairly the Company's financial position at July 31, 2009, the consolidated results of operations for the three and nine months ended July 31, 2009 and 2008 and for the period from September 25, 2002 (inception) to July 31, 2009 and consolidated statements of cash flows for the nine months ended July 31, 2009 and 2008 and for the period from September 25, 2002 (inception) to July 31, 2009. The consolidated results for the three months and nine months ended July 31, 2009 are not necessarily indicative of the results to be expected for the entire fiscal year ending October 31, 2009. These consolidated financial statement should be read in conjunction with the consolidated financial statements and notes for the year ended October 31, 2008 appearing in the Company's annual report on Form 10-K as filed with the Securities and Exchange Commission on February 13, 2009.

NOTE 2 ORGANIZATION

Advanced BioMedical Technologies, Inc. (fka "Geostar Mineral Corporation" or "Geostar") ("ABMT") was incorporated in Nevada on September 12, 2006.

Shenzhen Changhua Biomedicine Engineering Company Limited ("Shenzhen Changhua") was incorporated in the People's Republic of China ("PRC") on September 25, 2002 as a limited liability company with a registered capital of \$724,017. Shenzhen Changhua is owned by two stockholders in the proportion of 70% and 30% respectively. Shenzhen Changhua plans to develop, manufacture and market self-reinforced, re-absorbable degradable PA screws, robs and binding ties for fixation on human fractured bones. The Company is currently conducting clinical trials on its products and intends to raise additional capital to produce and market its products commercially pending the approval from the State Food and Drug Administration ("SFDA") of the PRC on its products. The Company has no revenue since its inception and, in accordance with Statement of Financial Accounting Standard ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprise," is considered a Development Stage Company.

Masterise Holdings Limited ("Masterise") was incorporated in the British Virgin Islands on May 31, 2007 as an investment holding company and was then owned as to 63% by the spouse of Shenzhen Changhua's 70% majority stockholder at the time and 37% by a third party corporation.



On January 29, 2008, Masterise entered into a Share Purchase Agreement (“the Agreement”) with a stockholder of Shenzhen Changhua whereupon Masterise acquired 70% of Shenzhen Changhua for US\$64,100 in cash. The acquisition was completed on February 25, 2008. As both Masterise and Shenzhen Changhua were under common control and management, the acquisition was accounted for as a reorganization of entities under common control. Accordingly, the operations of Shenzhen Changhua for the nine months ended July 31, 2009 and 2008 were included in the consolidated financial statements as if the transactions had occurred retroactively.

On December 31, 2008, ABMT consummated a Share Exchange Agreement (“the Exchange Agreement”) with the stockholders of Masterise pursuant to which ABMT issued 50,000 shares of Common Stock to the stockholders of Masterise for 100% equity interest in Masterise.

Concurrently, on December 31, 2008, a major stockholder of ABMT also consummated an Affiliate Stock Purchase Agreement (the “Affiliate Agreement”) with thirteen individuals including all the stockholders of Masterise, pursuant to which the major stockholder sold a total of 5,001,000 shares of ABMT’s common stock for a total aggregate consideration of \$5,000, including 4,438,250 shares to the stockholders of Masterise.

On consummation of the Exchange Agreement and the Affiliate Agreement, the 70% majority stockholder of Masterise became a 80.7% stockholder of ABMT.

The merger of ABMT and Masterise was treated for accounting purposes as a capital transaction and recapitalization by Masterise (“the accounting acquirer”) and a re-organization by ABMT (“the accounting acquiree”). The financial statements have been prepared as if the re-organization had occurred retroactively.

Accordingly, these financial statements include the following:

- (1) The balance sheet consisting of the net assets of the acquirer at historical cost and the net assets of the acquiree at historical cost.
- (2) The statement of operations including the operations of the acquirer for the periods presented and the operations of the acquiree from the date of the transaction.

ABMT, Masterise and Shenzhen Changhua are hereinafter referred to as (“the Company”)

### NOTE 3 PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the financial statements of ABMT and its wholly owned subsidiaries, Masterise and its 70% owned subsidiary, Shenzhen Changhua. The noncontrolling interests represent the noncontrolling stockholders’ 30% proportionate share of the results of Shenzhen Changhua.

All significant inter-company balances and transactions have been eliminated in consolidation.

## NOTE 4 RELATED PARTY TRANSACTIONS

As of July 31, 2009, the Company owed \$330,469 to a stockholder which is unsecured and repayable on demand. Interest is charged at 7% per annum on the amount owed.

As of July 31, 2009, the Company owed \$332,877 to a related party which is unsecured and repayable on demand. Interest is charged at 7% per annum on the amount owed.

Total interest expenses on advances from a stockholder and a related party accrued for the three and nine months ended July 31, 2009 and 2008 and for the period from September 25, 2002 (inception) through July 31, 2009 are \$10,277, \$24,017, \$1,214, \$1,424 and \$29,570 respectively.

As of July 31, 2009, the Company owed \$238,230 to three directors for advances made on an unsecured basis, repayable on demand and interest free.

As of July 31, 2009, the Company owed \$390,203 to a related company on an unsecured basis, repayable on demand and interest free.

Imputed interest charged at 5% per annum on the amounts owed to three directors, and a related company is \$7,866, \$23,847, \$8,793, \$24,528 and \$140,919 for the three and nine months ended July 31, 2009 and 2008 and for the period from September 25, 2002 (inception) through July 31, 2009 respectively.

As of July 31, 2009, a noncontrolling stockholder of a subsidiary owed the Company \$765 which is unsecured, interest free and repayable on demand.

## NOTE 5 STOCKHOLDERS' EQUITY

## (A) Changes in equity

The following table summarizes the changes in equity for the nine months ended July 31, 2009 (in thousands):

	ABMT Common Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at October 31, 2008	\$ (750 )	\$ -	\$(750 )
Common stock	-	-	-
Additional paid-in capital	(8 )	-	(8 )
Net loss for the period	(401 )	-	(401 )
Other comprehensive loss	(1 )	-	(1 )
Balance at July 31, 2009	\$ (1,160 )	\$ -	\$(1,160 )

## (B) Common stock

F-6

---



On December 31, 2008, the Company issued 510,400 shares of common stock in reverse merger for the recapitalization of Masterise and re-organization of ABMT.

On March 13, 2009, the Company's Board of Directors authorized a stock split, effected as a stock dividend, of ten shares of common stock for every one share of common stock held by stockholders of record as of the close of business on February 17, 2009. Following the stock split, the Company's issued and outstanding shares increased from 5,561,400 shares of common stock to 55,614,000 shares of common stock. All basic and diluted loss per share and average shares outstanding information has been adjusted to reflect the aforementioned stock dividend.

#### NOTE 6 RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, "The FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162" (the Codification). The Codification, which was launched on July 1, 2009, became the single source of authoritative nongovernmental U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF) and related literature. The Codification eliminates the GAAP hierarchy contained in SFAS No. 162 and establishes one level of authoritative GAAP. All other literature is considered non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company will adopt this Statement for its year ending October 31, 2009. There will be no change to the company's Consolidated Financial Statements due to the implementation of this Statement.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," and SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140." SFAS No. 167 amends FASB Interpretation 46(R) to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and requires ongoing qualitative reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. SFAS No. 166 amends SFAS No. 140 by removing the exemption from consolidation for Qualifying Special Purpose Entities (QSPEs). This Statement also limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. SFAS No. 167 will be effective for fiscal years beginning after November 15, 2009. The Company does not expect the adoption of these standards to have any material impact on the Consolidated Financial Statements.

In June 2009, the FASB issued SFAS No. 166 "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140" ("SFAS 166"). SFAS 166 amends various provisions of SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125" by removing the concept of a qualifying special-purpose entity and removes the exception from applying FIN 46® to variable interest entities that are qualifying special-purpose entities; limits the circumstances in which a transferor derecognizes a portion or component of a financial asset; defines a participating interest; requires a transferor to recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer accounted for as a sale; and requires enhanced disclosure; among others. SFAS 166 will be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Management is currently evaluating the potential impact of SFAS 166 on the financial statements.



In May 2009, the FASB issued SFAS No. 165, "Subsequent Events." This Statement sets forth: 1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; 2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and 3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This Statement is effective for interim and annual periods ending after June 15, 2009. The Company adopted this Statement in the quarter ended July 31, 2009. This Statement did not impact the consolidated financial results.

In April 2009, the FASB issued FASB Staff Position (FSP) Financial Accounting Standard (FAS) 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly." Based on the guidance, if an entity determines that the level of activity for an asset or liability has significantly decreased and that a transaction is not orderly, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transaction or quoted prices may be necessary to estimate fair value in accordance with SFAS No. 157, "Fair Value Measurements." This FSP is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted this FSP in the quarter ended July 31, 2009, and there was no material impact on the Consolidated Financial Statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments." The guidance applies to investments in debt securities for which other-than-temporary impairments may be recorded. If an entity's management asserts that it does not have the intent to sell a debt security and it is more likely than not that it will not have to sell the security before recovery of its cost basis, then an entity may separate other-than-temporary impairments into two components: 1) the amount related to credit losses (recorded in earnings), and 2) all other amounts (recorded in other comprehensive income). This FSP is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted this FSP for the quarter ended July 31, 2009, and there was no material impact on the Consolidated Financial Statements.

In April 2009, the FASB issued FSP FAS 107-1 and Accounting Principles Board (APB) 28-1, "Interim Disclosures about Fair Value of Financial Instruments." The FSP amends SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" to require an entity to provide disclosures about fair value of financial instruments in interim financial information. This FSP is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted this FSP in the quarter ended July 31, 2009. There was no impact on the Consolidated Financial Statements as it relates only to additional disclosures.

In December 2008, the FASB issued FSP FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets." This FSP amends SFAS No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits" to require more detailed disclosures about the fair value measurements of employers' plan assets including: (a) investment policies and strategies; (b) major categories of plan assets; (c) information about valuation techniques and inputs to those techniques, including the fair value hierarchy classifications (as defined by SFAS No. 157) of the major categories of plan assets; (d) the effects of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets; and (e) significant concentrations of risk within plan assets. The disclosures required by the FSP will be included in the Company's year ending 2009 Consolidated Financial Statements. This Statement does not impact the consolidated financial results as it is disclosure-only in nature.

As reflected in the accompanying unaudited condensed financial statements, the Company has an accumulated deficit of \$1,461,348 at July 31, 2009 that includes a net loss of \$400,535 for the nine months ended July 31, 2009. The Company's total current liabilities exceed its total current assets by \$1,236,938 and the Company used cash in operations of \$354,990. These factors raise substantial doubt about its ability to continue as a going concern. In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying condensed balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management has taken the following steps to revise its operating and financial requirements, which it believes are sufficient to provide the Company with the ability to continue as a going concern. The Company is actively pursuing additional funding and strategic partners, which will enable the Company to implement its business plan. Management believes that these actions as successful will allow the Company to continue its operations through the next fiscal year.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section of the report includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like: believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements, which apply only as of the date of this annual report. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions.

### Overview

The following discussion is an overview of the important factors that management focuses on in evaluating our businesses, financial condition and operating performance and should be read in conjunction with the financial statements included in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward looking statements as a result of any number of factors, including those set forth in this Quarterly Report as well as under the section entitled "Risk Factors" and elsewhere in the Company's most recent Annual Report on Form 10-K filed on February 13, 2009.

The Company is subject to a number of risks similar to other companies in the medical device industry. These risks include but are not limited to rapid technological change, uncertainty of market acceptance of our products, uncertainty of regulatory approval, competition from substitute products and larger companies, the need to obtain additional financing, compliance with government regulation, protection of proprietary technology, product liability, and the dependence on key individuals.

All written and oral forward-looking statements made in connection with this Quarterly Report on Form 10-Q that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given the uncertainties that surround such statements, you are cautioned not to place undue reliance on such forward-looking statements.

### Our Business

We are engaged in the business of designing, developing, manufacturing and the planned future marketing of self-reinforced, re-absorbable biodegradable internal fixation devices. Our polyamide materials are protected by Patent no. ZL97119073.9, PRC, issued by the Chinese Intellectual Property Rights Bureau, is used in producing screws, binding wires, rods and related products. These products are used in a variety of applications which include orthopedic trauma, sports related medical treatment, or cartilage injuries. Our products are biodegradable internal fixation devices which are made of a very unique material called Polyamide ("PA"). Our PA products, such as screws, rods, and binding wires consist of enhanced fibers and high molecular polymers which are designed to facilitate quick healing of complex fractures in many areas of the human skeletal system. Our products offer a number of significant advantages over existing metal implants and the first generation of degradable implants (i.e. PLLA) for patients, surgeons and other customers including:



1. A notably reduced need for a secondary surgery to remove implant due to post-operative complications, therefore avoiding unnecessary risk and expense on all patient care;
2. Enhancing the performance of the materials by manufacturing them to be easily fitted to each patient, forming an exact fit;
3. Improving the biological activity of materials. Clinical trial results have shown that as PA implants degrade, they promote a progressive shift of load to the new bone creating micro-motion and thereby avoiding bone atrophy due to 'stress shielding';
4. Reducing the chance of post-operative infection;
5. Effectively controlling the degeneration speed, so that there will be no complications in treating repeat injuries;
6. Ease of post-operative care i.e. no distortion during x-ray imaging;
7. Simple and cost-effective to manufacture.

Our products are designed to replace the traditional internal fixation device made of stainless steel and titanium and overcome the limitations of previous generations of products such as PLA and PLLA. Our laboratory statistics show that our PA products have a higher mechanical strength, last longer in degradation ratio and are more evenly absorbed from outer layer inwards as compared with similar materials such as PLA and PLLA. Thus PA allows increased restoration time for bone healing and re-growth. The Company's PA Degradable and Absorbable Screw ("PA Screw") and Degradable and Absorbable Binding Wire ("PA Binding Wire") are currently being tested in human trials under permit from China's State Food and Drug Administration ("SFDA"). As of July 31, 2009, the Company completed 59 successful PA Screw trial cases, and 53 successful PA Binding Wire. We anticipate the clinical trials of PA Screw will be completed in September 2009. The Company is in preparation for a Post Clinical Trial Conference that is to be hosted in September 2009. Doctors and directors of the hospitals that took part in the clinical trials are expected to attend the event in Yunnan, China. We will fine-tune our future R&D plans and marketing strategy based on the feedbacks received from attendees.

We have added one more state hospital in Guangzhou to our clinical trial hospital list. The cities and provinces where our clinical trial hospitals are based will be the initial target regions on our marketing plan. These regions are both densely populated and have experienced high or above medium economic growth.

The Company will start the China's SFDA's final approval process once we pass the clinical trials stage. The Company intends to continuously perform clinical trials exceeding the requirement of 60 cases for further medical studies.

#### Process of Human Trials

As of July 31, 2009, for medical study and comparison purpose, the Company has completed a total of 71 successful clinical human trial cases, including 59 cases on ankle fractures. Under SFDA Regulations, a total number of 60 cases must be completed before approval is considered. Amended SFDA regulations, unlike previous regulations, require the applicant to specify the position on the body where the clinical trial is carried out. For these reasons, only 59 cases on the ankle fracture are statistically included by the SFDA as final successful clinical trial cases. Our SFDA application has specified the ankle fracture as the body part of our clinical trial. This is because bones around the ankle carry most of the body weight. Therefore, the Company needs to complete the remaining 1 case in order to meet the SFDA requirements. Currently, we have been conducting human trials at the 7 state level hospitals recognized by SFDA for clinical trials in different cities throughout China; including Nanchang, Changsha, Luoyang, Nanning,

Tianjin and Guangzhou.

---



The Company anticipates all required clinical trial cases for PA Screw to be completed in September 2009, after which the Company can file immediately for the SFDA final approval. Furthermore, we can foresee that after the SFDA final approval, the Company expects to start earning in revenue as early as the first quarter of 2010. The Company is looking forward to starting the application process for the PA Biding Wires with the SFDA by the end of 2009 with sufficient funding in place.

There can be no assurance that the Company will be able to obtain any further clearances or approvals, if required, to market its products for their intended uses on a timely basis, if at all. Moreover, regulatory approvals, if granted, may include significant limitations on the indicated uses for which a product may be marketed. Delays in the receipt of or the failure to obtain such clearances or approvals, the need for additional clearances or approvals, the loss of previously received clearances or approvals, unfavorable limitations or conditions of approval, or the failure to comply with existing or future regulatory requirements could have a material adverse effect on the Company's business, financial condition and results of operations.

#### GOVERNMENT REGULATION

Medical implant devices/products manufactured or marketed by the company in China are subject to extensive regulations by the SFDA. Pursuant to the related laws and acts, as amended, and the regulations promulgated there under (the "SFDA Regulations"), the SFDA regulates the clinical testing, manufacture, labeling, distribution and promotion of medical devices. The SFDA also has the authority to request repair, replacement, or refund of the cost of any device manufactured or distributed by the Company.

Under the SFDA Regulations, medical devices are classified into three classes (class I, II or III), the basis of the controls deemed necessary by the SFDA to reasonably assure their safety and efficacy. Under the SFDA's regulations, class I devices are subject to general controls [for example, labeling and adherence to Good Manufacturing Practices ("GMP") requirements] and class II devices are subject to general and special controls. Generally, class III devices are those which must receive premarket approval by the SFDA to ensure their safety and efficacy (for example, life-sustaining, life-supporting and certain implantable devices, or new devices which have not been found substantially equivalent to legally marketed class I or class II devices). The Company is classified as a manufacturer of class III medical devices. Current SFDA enforcement policy prohibits the marketing of approved medical devices for unapproved uses.

Before a new device can be introduced into the market in China, the manufacturer generally must obtain SFDA marketing clearance through clinical trials. Since the company is classified as a manufacturer of Class III medical devices, the company must carry out all clinical trials in pre-selected SFDA approved hospitals.

Manufacturers of medical devices for marketing in China are required to adhere to GMP requirements. Enforcement of GMP requirements has increased significantly in the last several years and the SFDA has publicly stated that compliance will be more strictly scrutinized. From time to time the SFDA has made changes to the GMP and other requirements that increase the cost of compliance. Changes in existing laws or requirements or adoption of new laws or requirements could have a material adverse effect on the company's business, financial condition and results of operations. There can be no assurance that the company will not incur significant costs to comply with applicable laws and requirements in the future or that applicable laws and requirements will not have a material adverse effect upon the company's business, financial condition and results of operations.

Regulations regarding the development, manufacturing and sale of the company's products are subject to change. The company cannot predict the impact, if any, that such changes might have on its business, financial condition and results of operations.

### Results of Operations

The "Results of Operations" discussed in this section merely reflect the information and results of the Company for the period from September 25, 2002 (Shenzhen Changhua's date of inception) to July 31, 2009.

### Revenues

The Company is in its development stage and does not have any revenue. The management team is continuously looking for fundraising possibilities for product improvement, machinery upgrades, facility expansions, continuous research and development, and sales and marketing preparation.

Our facility is located in Shenzhen, China which is built to meet the GMP standards. Our facility covers about 865 square meters, which includes the combined facilities of offices, laboratories, and workshops. There is one production line for the PA Screw and another production line for the PA Binding Wire. The annual production capabilities of each production line are 100,000 pieces for PA Screw, and 240,000 packs for the PA Binding Wires. Both production lines, at their maximum production capacity, is capable of generating approximately USD \$27,000,000 in annual revenue.

### Estimate current production lines in full capacity

	Output Quantity (Max.)		Price at ex-factory (U\$)	Total Turnover (U\$)
PA Screw	100,000	(piece)	150	15,000,000
PA Binding Wire	240,000	(pack)	50	12,000,000
			Total:	27,000,000

The Company will market its products through a hybrid sales force comprised of a managed network of independent regional distributors/sales agents (80%) and direct sales representatives (20%) in China.

There are two ways the company will generate revenue, 1) through our nationwide and regional distributors and 2) through our direct manufacturing sales.

Marketing and Sales Goals:

- 1) First quarter of 2010: \$1,579,500 USD in revenues; Distribution of our product in approximately 32 hospitals immediately following SFDA approval.
- 2) Second quarter 2010: \$2,754,000 USD revenues; Distribution of our product in approximately 56 hospitals.
- 3) Third quarter 2010: \$5,062,500 USD revenues; Distribution of our product in approximately 105 hospitals.
- 4) Fourth quarter 2010: \$9,720,000 USD revenues; Distribution of our product in approximately 210 hospitals.

In general, we estimate that the Company will distribute product to a total of 210 hospitals and generate total revenues of USD \$19,116,000 in the year 2010. We also expect a continuous increase of affiliated hospitals and anticipate large increases in revenue due to marketing results of the PA Screw in China and the utilization of the Company's secured funding to bring the remaining family of self-reinforced, re-absorbable PA products to market.

China's Marketing Analysis and Sales Strategy:

We have established long term relationships with many hospitals and national distributors in China. Ms. WANG, Hui, the Company's CEO, has over 20 years sales experience in medical distribution. She will be in charge of our sales programs. Professor LIU, Shangli, our chief medical advisor, is one of the highest ranked orthopedic doctors in China as well as being highly renowned in the rest of the world. He will assist the Company in nationwide product promotion and joint projects with associated academic institutions and medical schools.

During product development and clinical trial stages we developed close relationships with many major national hospitals. We expect these relationships to boost our revenue generation following SFDA final approval. In order to better serve our customers, including hospitals, distributors, patients and the general public, the Company will set up Regional Service Offices to provide technical support, product information, and customer aid service.

China's market for PA devices depends on 3 major conditions:

- Patients
- Advanced technology level
- Performance and price of the materials

The demand for internal fixation medical devices has rapidly increased during the last decade. Total market sales have increased more than 15% each year. There are over 1 million bone fractures in patients in China requiring about 4 million bone bolts/screws each year. Research shows that in the next 10 years, China will have a booming aging population and the population in China will continue to increase. New and improved medical technology will continue to rapidly grow throughout hospitals in China, and material optimization and product pricing is expected to directly stimulate increased sales.

The Company has advantages and more opportunities over others competitors due to:

- No other similar patent registrations in China.
- We are the only company qualified and permitted to perform PA clinical trials by SFDA
- We have a timing advantage over other companies in China which would have to go through the preclinical testing for the SFDA permit on clinical trials.
- Under existing regulations by SFDA, it will take at least 3 years for clinical trials.



Number of Hospitals in China in year 2007

Statistic and Census report by Ministry of Health of People's Republic of China.

	Total	Non-Profit	Profit	Government	Society	Private
<b>Hospitals</b>	<b>19852</b>	<b>15759</b>	<b>4019</b>	<b>9832</b>	<b>6446</b>	<b>3574</b>
General Hospital	13372	11062	2269	5854	5460	2058
TCM Hospital	2720	2404	314	2257	171	292
TCM-WM Hospital	245	137	106	98	58	89
Minority Hospital	200	184	16	180	6	14
Specialist Hospital	3282	1951	1302	1432	738	1112
Nursing Hospital	33	21	12	11	13	9

TCM Hospital: Traditional Chinese Medicine Hospital

WM Hospital: Western Medicine Hospital

Minority Hospital: The hospitals located in Autonomous Region (Province) in China

By the end of 2010, we anticipate that there will be over 210 hospitals carrying our products. Thereafter, we predict an increase of 50% - 75% annually. By the year 2015 we estimate over 1500 hospitals participating. Based on the sales figures for a single product (PA Screw), the Company's projected annual revenues would be USD \$270,000,000.

<b>Potential Revenue in year 2015 (Estimated) :</b>	
<b>Hospitals</b>	<b>PA Screw</b>
Hospitals	1500
Monthly consumption:	100
Month	12
Sales price:	US\$150.00
<b>Total National Market Size:</b>	<b>US\$270,000,000</b>

In general, technological advancements and the marketing potential within Asia are the biggest factors in driving significant growth within the global orthopedic devices market. Another major factor that positively influences this market is the growing number of aging baby boomers with active lifestyles. This sector represents a large portion of the total population.

#### Research and Development

There is substantial research and development (R&D) activity in the market indicating a favorable growth trend. While revenues for active lifestyle participants registered a compound annual growth rate (CAGR) of 17.4 percent for the period 2002-2006; R&D expenditure for the same period recorded a higher growth of 18.4 percent. Increasing R&D expenditure is considered a key indicator of the future direction of the orthopedic market as it points to sustained technological development and innovation.



The Company believes that Asia holds tremendous growth potential for orthopedic device manufacturers due to its fundamental population advantage. Asia accounts for more than 50 percent of the population in the world, but its share of the global orthopedic devices market is comparatively low at approximately 10 percent. Within the region, Japan contributes to a majority of market revenues, indicating large potential for growth in relatively under-penetrated countries such as China and India.

In future periods, we expect research and development expenses to grow as we continue to invest in basic research, clinical trials, product development and in our intellectual property.

#### Finance Costs

As of July 31, 2009, a stockholder and a related party had loaned a total of \$663,346 to the Company as unsecured loans repayable on demand and interest is charged at 7% per annum on the amount due. Total interest expenses on advances from a stockholder and a related party accrued for the three and nine months ended July 31, 2009 and 2008 are \$10,277 and \$24,017 respectively.

	Three months ended July 31		Nine months ended July 31	
	2009	2008	2009	2008
Interest paid to a stockholder and related party	(10,277 )	(1,214 )	(24,017 )	(1,424 )

As of July 31, 2009, the Company owed \$628,433 to three directors and a related company for advances made on an unsecured basis, repayable on demand. Total imputed interest expenses, calculated at 5% per annum, recorded as additional paid-in capital amounted to \$7,866, \$23,847, \$8,793, \$24,528 and \$140,919 for the three and nine months ended July 31, 2009 and 2008 and for the period from January 25, 2002 (inception) through July 31, 2009, respectively.

#### Net Loss

The net loss for the three months ended July 31, 2009 and 2008 are \$120,517 and \$65,062 respectively. We do not have any revenue but have to incur operating expenses for the upkeep of the Company and the clinical trials.

The net loss for the nine months ended July 31, 2009 and 2008 and for the period from September 25, 2002 (inception) through July 31, 2009 are \$400,535, \$152,069 and \$1,461,348 respectively. We are in Clinical Trial phase and do not have a SFDA permit to produce, market or sell in China.

We therefore do not have any revenue from inception to July 31, 2009 but have to incur operating expenses for the upkeep of the Company and the clinical trials.

## Liquidity and Capital Resources

We had a working capital deficit of \$1,236,938 as of July 31, 2009 compared to a working capital deficit of \$831,167 as of October 31, 2008. Our working capital deficit increased as a result of the fact that we are in Clinical Trial phase and do not have a SFDA permit to produce, market or sell in China. We had no revenues during the period and that our sole source of financing are loans from our related parties and stockholders.

## Cash Flows

### Net Cash Used in Operating Activities.

Net cash used in operating activities was \$354,990 in the nine months ended July 31, 2009. This amount was attributable primarily to the net loss after adjustment for non-cash items, such as depreciation, imputed interest on advances from a stockholder and a related party, and others like decrease in other receivables and prepaid expenses.

### Net Cash Used in Investing Activities.

We recorded \$21,165 net cash used in investing activities in the nine months ended July 31, 2009. This amount reflected purchases of property and equipment, primarily for research and development to our facilities.

### Net Cash Provided by Financing Activities.

Net cash provided by financing activities in the nine months ended July 31, 2009 was \$367,959, which represented advances from related parties.

## Operating Capital and Capital Expenditure Requirements

Our ability to continue as a going concern and support the commercialization of current products is dependent upon our ability to obtain additional financing in the near term. We anticipate that such funding will be in the form of equity financing from sales of our common stock. However, there is no assurance that we will be able to raise sufficient funding from the sale of our common stock to fund our business plan should we decide to proceed. We anticipate continuing to rely on advances from our related parties and stockholders in order to continue to fund our business operations

We believe that our existing cash, cash equivalents at July 31, 2009, will be insufficient to meet our cash needs. The management is actively pursuing additional funding and strategic partners, which will enable the Company to implement our business plan, business strategy, to continue research and development, clinical trials or further development that may arise.

We intend to spend more to support the commercialization of current products and on research and development activities, including new products development, regulatory and compliance, clinical studies, and the enhancement and protection of our intellectual property portfolio.

## OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our investors.





## CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including but not limited to those related to income taxes and impairment of long-lived assets. We base our estimates on historical experience and on various other assumptions and factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Based on our ongoing review, we plan to adjust to our judgments and estimates where facts and circumstances dictate. Actual results could differ from our estimates.

We believe the following critical accounting policies are important to the portrayal of our financial condition and results and require our management's most difficult, subjective or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain.

### 1. Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is provided on a straight-line basis, less estimated residual value over the assets estimated useful lives. The estimated useful lives are as follows:

Plant and machinery	5 Years
Motor vehicles	5 Years
Office equipment	5 Years
Office Improvement	5 Years

### 2. Long-lived assets

In accordance with SFAS No. 144, "Accounting for the impairment or disposal of Long-Lived Assets", long-lived assets and certain identifiable intangible assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows related to the long-lived assets. The Company reviews long-lived assets to determine that carrying values are not impaired.

### 3. Fair value of financial instruments

SFAS No. 107, "Disclosure About Fair Value of Financial Instruments," requires certain disclosures regarding the fair value of financial instruments. The carrying amounts of other receivables, prepaid expenses, amounts due from related parties, other payables and accrued liabilities and due to related parties approximate their fair values because of the short-term nature of the instruments. The management of the Company is of the opinion that the Company is not exposed to significant interest or credit risks arising from these financial statements.



4. Government grant

Government grant represents a subsidy from the local government and is unconditional. The Company recognizes the grant upon receipt from the local government and is accounted for as an offset of research and development expenses.

5. Income taxes

The Company accounts for income taxes under the SFAS No. 109, "Accounting for Income Taxes". Under SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

6. Research and Development

Research and development costs related to both present and future products are expensed as incurred.

7. Foreign currency translation

The financial statements of the Company's subsidiary denominated in currencies other than US \$ are translated into US \$ using the closing rate method. The balance sheet items are translated into US \$ using the exchange rates at the respective balance sheet dates. The capital and various reserves are translated at historical exchange rates prevailing at the time of the transactions while income and expenses items are translated at the average exchange rate for the year. All exchange differences are recorded within equity.

#### RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, "The FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162" (the Codification). The Codification, which was launched on July 1, 2009, became the single source of authoritative nongovernmental U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF) and related literature. The Codification eliminates the GAAP hierarchy contained in SFAS No. 162 and establishes one level of authoritative GAAP. All other literature is considered non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company will adopt this Statement for its year ending October 31, 2009. There will be no change to the company's Consolidated Financial Statements due to the implementation of this Statement.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," and SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140." SFAS No. 167 amends FASB Interpretation 46(R) to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and requires ongoing qualitative reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. SFAS No. 166 amends SFAS No. 140 by removing the exemption from consolidation for Qualifying Special Purpose Entities (QSPEs). This Statement also limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements

being presented and/or when the transferor has continuing involvement with the transferred financial asset. SFAS No. 167 will be effective for fiscal years beginning after November 15, 2009. The Company does not expect the adoption of these standards to have any material impact on the Consolidated Financial Statements.

---

In June 2009, the FASB issued SFAS No. 166 “Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140” (“SFAS 166”). SFAS 166 amends various provisions of SFAS No. 140 “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125” by removing the concept of a qualifying special-purpose entity and removes the exception from applying FIN 46(R) to variable interest entities that are qualifying special-purpose entities; limits the circumstances in which a transferor derecognizes a portion or component of a financial asset; defines a participating interest; requires a transferor to recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer accounted for as a sale; and requires enhanced disclosure; among others. SFAS 166 will be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Management is currently evaluating the potential impact of SFAS 166 on the financial statements.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events.” This Statement sets forth: 1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; 2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and 3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This Statement is effective for interim and annual periods ending after June 15, 2009. The Company adopted this Statement in the quarter ended July 31, 2009. This Statement did not impact the consolidated financial results.

In April 2009, the FASB issued FASB Staff Position (FSP) Financial Accounting Standard (FAS) 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly.” Based on the guidance, if an entity determines that the level of activity for an asset or liability has significantly decreased and that a transaction is not orderly, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transaction or quoted prices may be necessary to estimate fair value in accordance with SFAS No. 157, “Fair Value Measurements.” This FSP is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted this FSP in the quarter ended July 31, 2009, and there was no material impact on the Consolidated Financial Statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments.” The guidance applies to investments in debt securities for which other-than-temporary impairments may be recorded. If an entity’s management asserts that it does not have the intent to sell a debt security and it is more likely than not that it will not have to sell the security before recovery of its cost basis, then an entity may separate other-than-temporary impairments into two components: 1) the amount related to credit losses (recorded in earnings), and 2) all other amounts (recorded in other comprehensive income). This FSP is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted this FSP for the quarter ended July 31, 2009, and there was no material impact on the Consolidated Financial Statements.

In April 2009, the FASB issued FSP FAS 107-1 and Accounting Principles Board (APB) 28-1, “Interim Disclosures about Fair Value of Financial Instruments.” The FSP amends SFAS No. 107, “Disclosures about Fair Value of Financial Instruments” to require an entity to provide disclosures about fair value of financial instruments in interim financial information. This FSP is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted this FSP in the quarter ended July 31, 2009. There was no impact on the Consolidated Financial Statements as it relates only to additional disclosures.

In December 2008, the FASB issued FSP FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets." This FSP amends SFAS No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits" to require more detailed disclosures about the fair value measurements of employers' plan assets including: (a) investment policies and strategies; (b) major categories of plan assets; (c) information about valuation techniques and inputs to those techniques, including the fair value hierarchy classifications (as defined by SFAS No. 157) of the major categories of plan assets; (d) the effects of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets; and (e) significant concentrations of risk within plan assets. The disclosures required by the FSP will be included in the Company's year ending 2009 Consolidated Financial Statements. This Statement does not impact the consolidated financial results as it is disclosure-only in nature.

---

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were effective such that the material information required to be included in our Securities and Exchange Commission reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to our company, particularly during the period when this report was being prepared.

Additionally, there were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the evaluation date. We have not identified any significant deficiencies or material weaknesses in our internal controls, and therefore there were no corrective actions taken.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Currently we are not involved in any pending litigation or legal proceeding.

### ITEM 1A. RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

### ITEM 5. OTHER INFORMATION

None.



ITEM 6. EXHIBITS

The following documents are filed as a part of this report or are incorporated by reference to previous filings, if so indicated:

---

Exhibit Description  
No.

3.1	Articles of Incorporation (1)
3.2	Bylaws (1)
<u>31.1</u>	<u>Section 302 Certification of Chief Executive Officer*</u>
<u>31.2</u>	<u>Section 302 Certification of Chief Financial Officer *</u>
<u>32.1</u>	<u>Section 906 Certification of Chief Executive Officer *</u>
<u>32.2</u>	<u>Section 906 Certification of Chief Financial Officer *</u>

\*filed herewith

(1) Incorporated by reference to the Form SB-2 registration statement filed on January 16, 2007.

---

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

September 17, 2009

ADVANCED BIOMEDICAL TECHNOLOGIES, INC.

By: /s/ Chi Ming YU  
Name: Chi Ming YU  
Title: President and Director

By: /s/ Wang Hui  
Name: Wang Hui  
Title: Director and Chief Executive Officer

By: /s/ Kai GUI  
Name: Kai GUI  
Title: Director, Secretary and Chief Financial Officer