

Advanced Biomedical Technologies Inc.  
Form 10-K  
February 13, 2019

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D. C. 20549**

**FORM 10-K**

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

**For the fiscal year ended October 31, 2018**

**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)

**Empire State Building**

**350 Fifth Ave, 59<sup>th</sup> Floor**

**New York, NY 10118**

(Address of principal executive offices, including zip code.)

**(718) 766-7898**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, \$0.00001 par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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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.

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

There was no active public trading market as of the last business day of the Company’s year-end.

The aggregate market value of common stock held by non-affiliates of the registrant, computed by reference to the price at which the common equity was last sold being \$0.55 on April 30, 2018 which is the last trading day of the second quarter, was approximately \$11,983,373 as of April 28, 2018 (the last business day of the registrant’s most recently completed second quarter), assuming solely for the purpose of this calculation that all directors, officers and more than 10% stockholders of the registrant are affiliates. The determination of affiliate status for this purpose is not necessarily conclusive for any other purpose.

As of February 13, 2019, there are 69,624,850 shares of common stock outstanding.

**TABLE OF CONTENTS**

|   |           |
|---|-----------|
| <u>Special Note Regarding Forward Looking Statements</u>  | Page<br>3 |
| <b>PART I</b>   |           |
| Item 1. <u>Business</u>   | 4         |
| Item 1A. <u>Risk Factors</u>  | 10        |
| Item 1B. <u>Unresolved Staff Comments</u>   | 10        |
| Item 2. <u>Properties</u>   | 10        |
| Item 3. <u>Legal Proceedings</u>  | 10        |
| Item 4. <u>Mine Safety Disclosures</u>  | 10        |
| <b>PART II</b>  |           |
| Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 11        |
| Item 6. <u>Selected Financial Data</u>  | 11        |
| Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>                        | 12        |
| Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>  | 19        |
| Item 8. <u>Financial Statements and Supplementary Data</u>  | 20        |
| Item 9. <u>Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>                         | 21        |
| Item 9A. <u>Controls and Procedures</u>   | 21        |
| Item 9B. <u>Other Information</u>   | 21        |
| <b>PART III</b>   |           |
| Item 10. <u>Directors, Executive Officers and Corporate Governance</u>  | 22        |
| Item 11. <u>Executive Compensation</u>  | 24        |
| Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>              | 25        |
| Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>                                   | 26        |
| Item 14. <u>Principal Accounting Fees and Services</u>  | 27        |
| Item 15. <u>Exhibits, Financial Statement Schedules</u>   | 28        |

## **SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS**

Investors are cautioned that certain statements contained in this document, as well as some statements in periodic press releases and some oral statements of Advanced Biomedical Technologies Inc. (“ABMT”) officials during presentations about ABMT, are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Act”). Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, which include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” or similar expressions. In addition, any statements concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future ABMT actions, which may be provided by management, are also forward-looking statements as defined by the Act. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties, and assumptions about ABMT, economic and market factors and the industries in which ABMT does business, among other things. These statements are not guaranties of future performance and we have no specific intention to update these statements.

Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. Although forward-looking statements in this Annual Report on Form 10-K reflect the good faith judgment of our management, forward-looking statements are inherently subject to known and unknown risks, business, economic and other risks and uncertainties that may cause actual results to be materially different from those discussed in the forward-looking statements, and Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K.

## ITEM 1. BUSINESS

### *Organizational History*

Advanced Biomedical Technologies, Inc. has one direct wholly owned subsidiary, Masterise Holdings Ltd., a limited liability company organized under the laws of British Virgin Islands (“Masterise”). Masterise, owns seventy percent (70%) of the issued and outstanding equity or voting interests in Shenzhen Changhua, a company formed under the laws of the People’s Republic of China. (ABMT, Masterise, and Shenzhen Changhua are collectively referred to throughout this document as “We, “Us,” “Our” (and similar pronouns), “ABMT” and the “Company”).

We were incorporated in the State of Nevada on September 12, 2006. We maintain our statutory registered agent’s office at The Corporation Trust Company of Nevada, 311 S Division Street, Carson City, Nevada 89703, and our business office is located at 350 Fifth Avenue, 59th Floor, New York, NY 10118. We have not been subject to any bankruptcy, receivership, or similar proceeding, or any material reclassification or consolidation.

Our primary business is carried out by Masterise through Shenzhen Changhua, as set forth in the following diagram:

Shenzhen Changhua does not have any subsidiary.

### **Organizational History of Masterise and Shenzhen Changhua**

Masterise is a wholly owned subsidiary of Advanced Biomedical Technologies, Inc.

Masterise is a limited liability company which was organized under the laws of British Virgin Islands (“BVI”) on May 31, 2007, and owns 70% of the capital stock of Shenzhen Changhua.

Shenzhen Changhua is a limited liability company which was organized under the laws of PRC on September 25, 2002.

Since their founding, Shenzhen Changhua has been involved in the development of polymer screws, rods and binding wires for fixation on human fractured bones. The Company is currently involved in researching, manufacturing and conducting clinical trials on its products and intends to raise additional capital to produce and market its products commercially. The Company holds one Class III permit and one Class II permit from the China Food and Drug Administration (“CFDA”), formally the State Food and Drug Administration (“SFDA”) of the PRC. The Company holds two patents issued by the State Intellectual Property Office of the P.R.C. (“SIPO”) and further patent applications are currently under review by the SIPO.

## Primary Products

Our primary products include Polymer Osteosynthesis Devices made of a proprietary material compositing of polyamide 6 (PA6), hydroxyapatite (HA) and poly(methyl methacrylate-co-N-vinylpyrrolidone) (P(MMA-co-NVP)). These advanced materials are used in surgical screws, binding wires, rods and related medical devices for the treatment of orthopedic trauma, sports-related medical treatment, cartilage repair, and related treatments, and reconstructive dental procedures. Our polymer orthopaedic internal fixation screws received approval from the China Food and Drug Administration (“CFDA”) in April 2018; and our PA Binding Wires are under clinical trials; and our PA Mini-Screws are under animal test.

### Product Characteristics:

The Company’s new and unique material has ideal mechanical properties with similar strength, toughness, tensile strength and flexibility etc. to the human bone. Its elasticity, toughness and high fatigue resistance can effectively stabilize fractures without causing stress shielding. Its strong biocompatibility includes: no inflammation, no pyrogen, no cytotoxicity, no subchronic systemic toxicity etc. Additionally, the biomaterials promotes the synthesis of matrix mature protein (ALP, collagen I, osteopontin, osteocalcin) gene expressions, via local transcription factors of osterix, Runx2 mRNA for a long time. Facilitating the continuous synthesis of extracellular matrix proteins required for cell mineralization, and bone tissue regeneration from an effective bio-interface integration.

The bone screw products produced by the materials have been proved to be safe and reliable after clinical trials and long-term follow-ups spanning 10 years. Unlike metallic screws, they can be implanted for a long time without the need for a secondary removal surgery. Our biomedical composite material exhibit three key technological innovations:

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;  
Improving the biological activity of materials. Clinical trial results have shown that PA implants promote a
3. 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. Stimulate bone tissues to facilitate effective biological integration, benefitting the regeneration of bone;
6. Ease of post-operative care i.e. no distortion during x-ray imaging;
7. Simple and cost-effective to manufacture.



The Company has developed six proprietary polymer fixation implant product lines, including screws, pins, tacks, rods and binding wires, which provide an alternative to metal implants and overcome the limitations of first generation re-absorbable fixation devices. The Company's product range will ultimately cover the full gamut of components for implantation, including human orthopedic and dental applications, as well as veterinary applications.

## **Industry Development**

The fracture fixation industry has developed through three generations of materials science:

### ***The first generation internal-fracture fixation material:***

The first generation internal-fracture-fixer components are usually made of stainless steel, titanium and alloy. Due to their high intensity, low costs and easy machining character, these components have achieved huge success in fracture treatment and remain the most widely used internal-fracture-fixer material. However, their prominent flaws are the huge difference between metal's elasticity co-efficient, easily causing second-time bone fracture. The metallic ion can also cause tissue inflammation, and the need of a secondary surgery to have them taken out. These flaws stimulated the development of the degradable macromolecule material.

### ***The second generation fracture fixation material:***

The second generation bone-fracture-fixed components are made of degradable macromolecule material, such as PLLA, PGA and PDS, etc. The disadvantage of these components is rapid self-degeneration in early stages after the initial implant. For example, the strength of SR-PLLA decreases to 10-20Mpa after 4 weeks of implantation. Therefore, the second generation bone-fracture-fixed components can be only used to treat substantial spongiosa bone fractures.

### ***The third generation fracture fixation material:***

The third generation fracture fixation material, biodegradable fracture fixation components are currently under research by developed countries. There are many technical challenges to research in the third generation fracture fixation material field; for example, the materials must have a high degree of bio-compatibility and mechanical compatibility. They also must be of high biological activity, self-absorbable, and degeneration controllable.



## Product Development

After careful deliberation, we selected the polymer screw as our first product to market. In order to replace the widely-used metal components, the new materials must meet multiple bio-consistency and mechanical-consistency requirements. Furthermore, they must also exhibit specific properties with respect to bio-activities, degradability, and controllable degradation speed. Although many macromolecule materials are degradable inside human body, relatively few provide the physical characters required for fracture fixation.

Development began with selection of macromolecule materials that exhibited the desired physical characters, leading, ultimately, to our selection of polyamide. In order to achieve the desired mechanical performance and degrading speed, various chemical and physical techniques were employed to modify the bio-degradable polyamide so as to synthesize the required new bio-degradable material. This phase of our research also entailed the selection of monomer class, polymerization conditions, the mensuration of polymer molecular weight, hydrophile capability, crystal capability, the mensuration and controlled degrading speed of the polymer, the mensuration and control of the mechanical performance of the polymer, and numerous other critical considerations.

Our next challenge was to identify a suitable bio-active inorganic material, and to optimize the compound and associated production conditions. It was critical that we could predict and control the bio-activities of the implanted fixture material, and to this end we used high grade and mature phosphate type bio-active materials, taking into account the preparation characteristics of the compound material, and the surface character requirements of the finished products. We also improved current technical parameters by modifying the surface character, thereby achieving critical control over the desired grain size and surface activities.

The third technological hurdle involved the actual preparation and utilization of the engineered compound in conjunction with a bio-active material. Hydronium bombardment of the surface, with spread and cover techniques, was employed during this critical step in the process. This had the effect of creating a well-knit bio-active membrane on the degradable polymer's surface, and embedding a bio-active core inside the degradable polymer stick, so as to form the bio-active degradable compound material.

The final step entailed strengthening and shaping the processed compound by using directional extrusion and molding. Degradable acantha inoculators, fixation screws, orthopedics stuffing, enlance strings, and anti-conglutination membrane can all be manufactured, as needed, using this same technique.

Our company has studied and researched Polyamide, changing its chemical and physical properties to meet the above requirements. As a result of our research we have:

1. Increased mechanical strength to 170Mpa.
2. Increased biological activities to accelerate bone cell substitution.
3. Extended the degeneration period during the implant. While the PA is degenerating layer by layer, the bone cells grow and take its place.

## **Product Analysis**

Our products are manufactured in a 100,000 level GMP factory with stringent quality management system, workshop alongside a 10,000-level bacteria purification zone. The R&D, production and quality management capabilities satisfies the requirements of implantable medical device production management specifications, ISO9001 and ISO13485. Over the years, Shenzhen Changhua has developed a series of orthopedic internal fixation products such as bone screws, rib nails, tying lines and bone plates using a newly synthesized material, PPH (PA6-P(MMA-co-NVP)-HA)

## **Overview of PA Devices and Market in the US, China and Worldwide**

According to Transparency Market Research, the global orthopedic device market will reach US\$41.2 billion by the end of 2019, owing to multiple factors that are enabling it to progress at a CAGR of 15% from 2019 to 2023.

The key drivers of the global orthopedic devices market are the 2 factors below:

1. Rapidly aging population
2. High demand for painless treatments

Growth in geriatric population is primarily pushing demand for orthopedic solutions globally. Effects of aging, such as diminishing bone density and weakening bones due to excessive loss of bone mass, make their presence felt from 35 years of age and become more prominent after 55 years. By 2050, 1 billion or more people would be above 60 years old.

In addition, the demand more pain-free treatments and increasing number of sport related injuries and road accidents are expected to fuel the need for orthopedic devices. However, stringent regulatory approval procedures as well as the high cost of surgical procedures and these devices are the main reasons restraining market growth, and making it a high-barrier of entry.

## **China's Market for PA Devices**

With a population of over 1.3 billion, China is the world's most densely populated country and makes up of one-fifth of the world's population. China's population is nearly five times more than United States even though both roughly cover the same geographic area. There are 32 Provinces, Autonomous Regions, and Municipalities of Mainland China.

China's orthopedic implant device industry is in a state of rapid market growth. With the acceleration of population aging, the improvement of medical policies, and an increase in people's treatment awareness, China's orthopedic implant medical device sector continues to boom, with a huge potential orthopaedic market base and developmental space. According to Frost & Sullivan, the compound growth rate of the orthopedic industry from 2008 to 2012 was 18.2%. In 2017, the market size reached 3.23 billion USD and by 2020, the market for implantable orthopedic consumables in China will reach 4 billion US dollars.

## **Competitive Analysis**

To the best of our knowledge, our Company is the only patent holder of PA technologies in China, as well as the only company received CFDA approval in China. At this time there are no similar products in this market. Moreover, due to the nature of the regulatory environment, and the requirements and logistics of mounting a clinical trial, it would take any new competitor a minimum of three years to catch up to our lead in this area alone. Factoring in our established relationships with key customers, distributors, and regulators, as well as our ready-to-run production facilities, and our actual advantage is considerable longer than the 3 year regulatory advantage. This represents an invaluable window in which to firmly entrench our company as the preferred purveyor of self-reinforced, absorbable biodegradable PA components in the Chinese health care environment.

To reiterate, our company and product line offer several critical competitive advantages, specifically:

There are no similar patent registrations in China.

Our initial product, the PA Screw approved by the CFDA in 2018, has completed 100% of the required clinical trials, with a 100% success rate.

We are the only company qualified and permitted to conduct clinical trials of other PA products by China's CFDA. We have a timing advantage over other companies in China, which would have to go through the preclinical testing before they could even apply for a permit to conduct actual clinical trials.

Under existing regulation structure, it will take at least 3 years for any competitor's clinical trials to be completed, and total of 7 or more years to reach the point where we are now.

## **Specific Competition**

Competition in the medical implant device industry is intense both in China and in global markets. In orthopedics, ABMT's principal competitors are the numerous companies that sell metal implants. ABMT competes with the manufacturers and marketers of metal implants by emphasizing the ease of implantation of the Company's polymer implants, the cost effectiveness of such products, and the elimination of risks associated with the necessity of performing removal surgeries frequently required with less modern products.

Our Polymer (PA) Bone Screw is the first of its kind among all polymer-based implantations and has no competitors due to the sophisticated manufacturing technologies and technique needed for its production.

According to the record from CFDA and our estimates, it will take at least 5 years for another medical device provider with similar technology to appear in the market. This is because much time will need to be spent on developing material compatibility, safety and undergoing clinical trials in reaching proper standards.

In addition, the current market is mainly saturated with metallic compound bone screws, and the medical industry has been using it predominantly since the 1900s. Not only is our invented material biologically stable and easily accepted by the human body, it is also very versatile and therefore has a great market potential.

Our primary competition will be the generation-one and generation-two counterparts, which, despite their functional inferiority, enjoy the benefit of familiarity and an established manufacturing and marketing base. This competition comes from a number of entrenched players worldwide, including DePuySynth, Zimmer Biomet Holdings Inc., Medtronic Plc, Smith and Nephew Plc, Stryker Corp. and others. Although many of these competitors have substantially greater resources upon which to draw, we are confident that the technological superiority of the more forward-looking product will ultimately equalize the playing field by orthopaedic innovation.

**Product advantage and Market Opportunity:**

- There are no similar patent registrations in China.
- We are the only company approved by the CFDA and permitted to take clinical trials.
- We have a timing advantage over other companies in China which would have to go through the preclinical testing for the CFDA permit on Clinical Trials.
- Under existing regulation by CFDA, it will take at least 3-5 years to complete clinical trials for a new product similar to the Company's PA Screw, which has finished all required clinical trials.

**Product Comparisons**

Among many other advantages, a main advantage of ABMT's proprietary PA technology is the elimination of the need for secondary surgery to remove an implantation device. Implant removal belongs to the most common elective orthopaedic procedures in industrial countries. In children, implant removal may be necessary to remove implants early to avoid disturbances to the growing skeleton, to prevent their bony immuring making later removal technically difficult or impossible, and to allow for planned reconstructive surgery after skeletal maturation (e.g., in case of hip dysplasia). In adults, pain, soft tissue irritation, the resumption of strenuous activities or contact sports after fracture healing, and the patient's demand are typical indications for implant removal in clinical practice. However, implant removal requires a second surgical procedure in scarred tissue, and poses a risk for nerve damage and re-fractures. (cite: Hanson et al. BMC Musculoskeletal Disorders 2008)

|                                 | Metallic Compounds   | Poly-lactic Acid  | ABMT's Material (Polyamide)  |
|---------------------------------|--|---|--|
| <b>Market Size &amp; Growth</b> | ~97% CAGR = 7% (From Oxford Academics)   | ~3% CAGR = 15% (From Oxford Academics on polymer based medical devices)   | <b>N/A CAGR = 15%</b> (From Oxford Academics on polymer based medical devices)         |
| <b>Bio-compatibility level</b>  | Bending Strength and tensile strength exceeds that of the human bone.  | Bending strength and tensile strength are close to that of the human bone   | <b>Bending strength and tensile strength are close to that of the human bone</b>       |
| <b>Problems/ Issues</b>         | Metallic ions cause extreme inflammation; Reduction in mechanical hold and sturdiness  | Acidic compounds in bones result in aseptic inflammation and severe water accumulation<br>High degradation speed; | <b>No apparent issues and with mechanical sturdiness; no inflammation resulted.</b>    |
| <b>Long-term Effects</b>        | Impair and damage nearby tissues If placed too long  | resulting in empty slots in bones; could cause a 2nd bone fracture  | <b>High bio-stability and long-lasting support</b>                                     |
| <b>Surgical cost</b>            | Requires removal surgery ( <b>40% of the time</b> ); Increasing cost ( <b>Additional \$500 USD</b> ), physical and mental pain | Does not require a 2nd surgery, acidic compounds excreted out from the body                                       | <b>Does not require 2nd surger. No toxic compounds released into blood circulation</b> |



|                |   |  |  |
|----------------|---|--|--|
| <b>Remarks</b> | Composition not easily affected by external factors during production | Characteristics and properties easily altered during manufacturing, purification and storage processes | <b>Composition and characteristics not easily affected by external factors during production</b> |
|----------------|---|--|--|

<sup>1</sup>Metallic Compounds have been traced in serum and hair of 16 of 46 patients after receiving titanium implants. (*cite: Kasai Y, Iida R, Uchida A: Metal concentrations in the serum and hair of patients with titanium alloy spinal implants.*)

<sup>2</sup>Implant removal belongs to the most common elective orthopaedic procedures in the industrial countries. In a frequently cited Finnish study, implant removal contributed to almost 30% of all planned orthopaedic operations, and 15% of all operations. (*cite: Bostman O, Pihlajamaki H: Routine implant removal after fracture surgery: a potentially reducible consumer of hospital resources in trauma units.*)

Towards the end of the last century, spinal and orthopedic implants evolved towards progressively stronger and stiffer devices, as it was presumed that increased construct rigidity would optimize the biological milieu and provide more rapid and robust healing and arthrodesis. For the past 20 years, titanium has been the most widely used, and the most expensive material for fixing fractures (in both elective and emergency surgery). More than 1,000 tons (2.2 million pounds) of titanium devices of every description and function are implanted in patients worldwide each year. Although metal exhibits the desired strength and rigidity to allow the healing process to begin, there are a number of issues associated with using permanent titanium systems. Our PA materials deliver many of the benefits of their metal counterparts, without the disadvantages:

|   | <b>METAL</b>   | <b>ABMT's PA devices</b>   |
|---|--|--|
| <b>Cranial Growth</b>                   | Growth restriction<br><br>Intracranial implant migration   | Stimulation of growth leading to better bone healing   |
| <b>Accumulation of Metal in tissues</b> | Yes  | No   |
|   | Many necessitate removal operation either for mechanical strength of the overall structure   |  |
|   | majority of implant failures occur at the bone-screw interface with screw pullout being the most common mechanistic cause of construct failure           |  |
| <b>Adverse Effect</b>                   | should the bone fail to heal, these micromotions will persist and cause the metallic screw to oscillate within the far softer surrounding bone interface | None   |
|   | Too stiff  |  |
| <b>Stiffness for optimal healing</b>    | Stress shielding can result in bone atrophy and degradation  | Optimal stiffness/flexibility characteristics to achieve surgical fixation, while conforming to the softer, more pliable bone of the patient |
|   | Implant palpability  |  |
|   | Temperature sensitivity  | No long-term palpability   |
|   | Occasionally visibility  | No temperature sensitivity   |
| <b>Other Effects</b>                    | Could cause trauma in the event of mechanical failure  | Predictable degradation  |
|   | Imaging and radiotherapy interference  | Reduced patient trauma   |
|   | Potential for cross contamination  | No imaging and radiotherapy interference   |
|   |  | No second surgery required   |

**Cost of product**      Cost to hospital: \$400-\$2200

Cost to hospital: \$800

## **Intellectual Property**

The Company has been granted one patent for its material by the State Intellectual Property Office of the P.R.China (“SIPO”), patent no. ZL971190739. This patent also protects the use and manufacturing process of the material.

In January 2017, SIPO has issued the Company a new patent titled “Bone Fracture Plate Made of High Polymer Materials”, patent no. ZL 2014 1 0647464.1, which strengthens the Company’s position in manufacturing process and related controls using our unique polyamide materials.

The company is establishing broad and new intellectual property protection schemes around our unique PA product lines, not only on its combination compounds, but also to lead as an outstanding material in the future of clinical activity.

## **Abstract**

The present invention discloses a macromolecular implant for human body and its preparation process, and relates to the products made up by using said macromolecular implant and their application. Said invented product is made up by using resin fiber through hot-pressing treatment according to the formula provided by said invention, and its strength is high, tenacity is good and its shape can be processed according to the requirement in the period of bone union after implantation, and said implant can be made into the fixation block, eurymeric block, fastening piece and suture for reduction of fracture, and can be started to be degraded from twenty-fourth week after implantation, and can be absorbed by human body after 1.5-2 years, and its cost is low.

## **Employees**

As of October 31, 2018, we had 15 employees, with 6 employees in R&D, Clinical and Regulatory, 4 employees in Manufacturing, 4 employees in General and Administration, and 1 employee in Accounting.

We believe that our future success will depend in part on our continued ability to attract, hire and retain qualified personnel. None of our employees are represented by a labor union, and our employee relations have been good.

The company's facilities are located at Block A, Longcheng Tefa Industrial park, Longgang, Shenzhen, China.

## **Insurance**

While we are carrying out the Clinical Trials, we do not have any Product Liability Insurance coverage for the use of our proposed products. We intend to obtain Product Liability Insurance coverage for commercial sale of our products in due course.

## **Government Regulations**

Our primary target market is the medical community of the People's Republic of China (PRC). Medical devices manufactured by the Company in China are subject to regulation by the China Food and Drug Administration ("CFDA"), formally the State Food and Drug Administration ("SFDA") of the PRC. The manufacturing facilities are also required to meet China's Good Manufacturing Practices ("GMP") standards.

The Company's production facilities are fully compliant with GMP requirements. The Company's PA Screw was approved by the CFDA in April 2018. Furthermore, due to the uniqueness of our PA Screw, it has been independently categorized so the marketing prices are set by the Company rather than healthcare platforms.

## **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 1B. UNRESOLVED STAFF COMMENTS**

There are no unresolved comments from the SEC.

**ITEM 2. PROPERTIES**

None.

**ITEM 3. LEGAL PROCEEDINGS**

We are not involved in any pending or imminent litigations or current legal proceedings.

**ITEM 4. MINE SAFETY DISCLOSURE**

Not applicable.

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Only a limited market exists for our securities. There is no assurance that a regular trading market will develop, or if developed, that it will be sustained. Therefore, a shareholder in all likelihood will be unable to resell his securities in our company. Furthermore, it is unlikely that a lending institution will accept our securities as pledged collateral for loans unless a regular trading market develops.

Our company's securities are traded on the world's largest electronic interdealer quotation system "OTCQB" operated by the OTC Markets Group under the symbol "ABMT".

| Fiscal Quarter                      | High<br>Bid | Low<br>Bid |
|-------------------------------------|-------------|------------|
| 2018                                |             |            |
| Fourth Quarter 08-01-18 to 10-31-18 | \$0.55      | \$0.21     |
| Third Quarter 05-01-18 to 07-31-18  | \$0.74      | \$0.25     |
| Second Quarter 02-01-18 to 04-30-18 | \$2.00      | \$0.13     |
| First Quarter 11-01-17 to 01-31-18  | \$0.18      | \$0.12     |

| Fiscal Quarter                      | High<br>Bid | Low<br>Bid |
|-------------------------------------|-------------|------------|
| 2017                                |             |            |
| Fourth Quarter 08-01-17 to 10-31-17 | \$0.21      | \$0.12     |
| Third Quarter 05-01-17 to 07-31-17  | \$0.21      | \$0.10     |
| Second Quarter 02-01-17 to 04-30-17 | \$0.20      | \$0.10     |
| First Quarter 11-01-16 to 01-31-17  | \$0.20      | \$0.10     |

### Shareholders

At October 31, 2018, we had 51 shareholders of record of our common stock, including shares held by brokerage clearing houses, depositories or otherwise in unregistered form. We have no outstanding options or warrants, or other securities convertible into, common equity.

### Dividend Policy

We have not declared any cash dividends. We do not intend to pay dividends in the foreseeable future, but rather to reinvest earnings, if any, in our business operations.

### **Section 15(g) of the Securities Exchange Act of 1934**

Our shares are covered by section 15(g) of the Securities Exchange Act of 1934, as amended that imposes additional sales practice requirements on broker/dealers who sell such securities to persons other than established customers and accredited investors (generally institutions with assets in excess of \$5,000,000 or individuals with net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouses). For transactions covered by the Rule, the broker/dealer must make a special suitability determination for the purchase and have received the purchaser's written agreement to the transaction prior to the sale. Consequently, the Rule may affect the ability of broker/dealers to sell our securities and also may affect your ability to sell your shares in the secondary market.

Section 15(g) also imposes additional sales practice requirements on broker/dealers who sell penny securities. These rules require a one-page summary of certain essential items. The items include the risk of investing in penny stocks in both public offerings and secondary marketing; terms important to in understanding of the function of the penny stock market, such as "bid" and "offer" quotes, a dealers "spread" and broker/dealer compensation; the broker/dealer compensation, the broker/dealers duties to its customers, including the disclosures required by any other penny stock disclosure rules; the customers rights and remedies in causes of fraud in penny stock transactions; and, the FINRA's toll free telephone number and the central number of the North American Administrators Association, for information on the disciplinary history of broker/dealers and their associated persons.

### **Securities authorized for issuance under equity compensation plans**

We have no equity compensation plans and accordingly we have no shares authorized for issuance under an equity compensation plan.

### **ITEM 6. SELECTED FINANCIAL DATA**

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

## ITEM 7. 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 Annual Report on Form 10-K. 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 Annual Report on Form 10-K, and elsewhere in our other public filings. Factors that may cause actual results, our performance or achievements, or industry results to differ materially from those contemplated by such forward-looking statements include without limitation:

1. The company's lack of funds in new R&D, especially in clinical testing;
2. The company's lack of funds in new equipment and the utilization of the production process after CFDA approval;
3. The company may need to seek funding through such vehicles as convertible notes and warrants, private placements, and/or convertible debentures;
4. The company needs funding for marketing and network build-up;  
The company plans to seek approval for clinical testing and marketing on a worldwide basis, including US FDA
5. approval for testing and marketing in the United States of America, and there is no guaranty that we will obtain any such approval;  
While the company currently holds two patents originating in China, the patents does not protect our intellectual property in the United States, and the company is unsure of the validity of the patent in other countries. However, specific trade secrets are involved in the manufacturing of our product to help protect our technologies, and reverse
6. engineering is unlikely for our types of products and technologies. New patents are expected to be filed as result of our continuous research works for new and refined materials. Additionally, all machinery used to manufacture our products is protected by Chinese patents.

The Company is subject to a number of risks similar to other companies in the medical device industry. These risks include rapid technological change, uncertainty of market acceptance of our products, uncertainty of regulatory approval, competition from substitute products from larger companies, the need to obtain additional financing,



compliance with government regulations, protection of proprietary technology, product liability, and the dependence on key individuals.

All written and oral forward-looking statements made in connection with this Form 10-K 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 marketing of biomaterial internal fixation devices. We hold one medical device permit from the China Food and Drug Administration (“CFDA”) for our product - polymer orthopaedic internal fixation screws and two patents issued by the State Intellectual Property Office of the P.R.C. (“SIPO”). Our polyamide materials, their uses and manufacturing processes are protected by Patent No. ZL971190739. A new patent, No. ZL201410647464.1 titled “Bone Fracture Plate Made of High Polymer Materials” was granted to us in January 2018. Our polyamide materials are used in producing screws, binding wires, rods and related products. These products are used in a variety of applications including orthopedic trauma, sports related medical treatment, or cartilage injuries, and reconstructive dental procedures. At this time, our company is the sole patent holder and market permit holder of PA technologies in China, as well as the only company currently engaged in clinical trials, manufacturing and marketing for PA orthopaedic internal fixation devices in the PRC. Our products are made of a very unique material called PA6-P(MMA-CO-NVP)-HA (“PA”). Our PA products, such as screws, binding wires, rods, suture anchors and rib-pins 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;  
Improving the biological activity of materials. Clinical trial results have shown that PA implants promote a
3. 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. Stimulate bone tissues to facilitate effective biological integration, benefitting the regeneration of bone;
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 polymer orthopaedic internal fixation screws received approval from the China Food and Drug Administration (“CFDA”) in April 2018.

## **CFDA Application Process and Approval for Polymer Screws**

The Company first submitted its application for PA Screws to the CFDA in 2008. The application has been withheld by the CFDA pending additional clinical trial cases. This is due to the amended CFDA regulations, which unlike previous regulations require the applicant to specify the position on the body where the clinical trial is carried out. Our amended CFDA application has specified the ankle fracture as the body part of our clinical trial. This is because bones around this part carry most of the body weight.

Due to the uniqueness of our material, there were no established CFDA Product Standards that we could follow during our application process for our PA Screws. To establish our own Product Standards, the Company had been carrying out extra tests. The Company submitted its Product Standards and supplementary reports to the CFDA in 2014. In December 2016, the Company received a notice from the CFDA requesting supplementary report as part of the review process. The Company completed the supplementary report and submitted it to the CFDA in June 2017.

In April 2018, the Company's application for its PA Screws was approved by the CFDA in China (Medical Device Certification Number: 20183460133).

### **Clinical Trials on Other Products**

The Company has completed a total of 83 successful clinical human trial cases, including 71 cases on ankle fractures and 57 successful PA Binding Wire trial cases. We have been conducting human trials at the 6 state level hospitals recognized by CFDA for clinical trials in different cities throughout China; including Nanchang, Changsha, Luoyang, Nanning and Tianjin. 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 clinical trials for the Company's PA Screws have been completed with 100 percent success rate. Having gained CFDA approval for PA Screws, the Company is planning to start clinical trials on series of orthopaedic products the Company has developed using the same unique biomaterial.

### **Government Regulation**

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

Under the CFDA Regulations, medical devices are classified into three classes (class I, II or III), the basis of the controls deemed necessary by the CFDA to reasonably assure their safety and efficacy. Under the CFDA'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 CFDA 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 CFDA 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 CFDA 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 CFDA 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 CFDA has publicly stated that

compliance will be more strictly scrutinized. From time to time the CFDA 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 Masterise and Shenzhen Changhua for the years ended October 31, 2018 and 2017.

### **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 capacities are capable of generating approximately \$30,000,000 in annual revenue.

**Estimate current production lines in full capacity**

|                 | Output Quantity<br>(Max.) | Price at<br>ex-factory<br>(US\$) | Total<br>Turnover<br>(US\$) |
|-----------------|---------------------------|----------------------------------|-----------------------------|
| PA Screw        | 100,000 (piece)           | 180                              | 18,000,000                  |
| PA Binding Wire | 240,000 (pack)            | 50                               | 12,000,000                  |
|                 |                           | Total:                           | 30,000,000                  |

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 sales channels.

**Funding Needs**

The Company estimates that it will need to raise minimum \$900,000 over the next 12 months to bring its current products to market, and begin earning revenues. This amount may increase if we decide to start clinical trials on new products. Once we start to market our PA Screw, our revenue will cover our expenditures. Otherwise, we will continue to rely on external investments and shareholder’s loans to meet our cash needs. While the Company has no outside sources of funding, the Company’s shareholders have committed to advance the Company funds as needed. There is a Letter of Continuing Financial Support signed between the Company and one of its major shareholders, Titan Technology Development Ltd.

**China’s Marketing Analysis and Sales Strategy**

We have established long term relationships with many hospitals and national distributors in China. Ms. Hui Wang, the Company's CEO, has over 25 years' sales experience in medical distribution. She will be in charge of our sales programs. Professor LIU, Shangli, our chief medical advisor for Greater China, 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 CFDA 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. According to China Health Care Year Book 2013, the total revenue of Chinese orthopaedic hospitals in 2013 was US\$1.28 billion with over 11.5 million patients. From 2009 to 2013, the market size of China's orthopaedic devices has grown from US\$1.1 billion to US\$1.92 billion, and it is estimated to reach US\$4 billion in 2020. China has overtaken Japan as the second largest market in the world. The Chinese market size for trauma treatment implant devices such as our PA Screw and PA Wire was US\$1.88 billion in 2013 and US\$2.12 billion in 2014 with a growth rate of 12.7%, it is estimated to grow to US\$3.02 billion in 2017 and reach US\$3.17 billion in 2018 with a growth rate of 11.6%. (Source: Shenwan Hongyuan Securities research report).

China has gradually entered the Old Age Society. It is expected that there will be 245 million people over 60 years of age by 2020, and, according to the survey of 50 years old, the incidence of osteoporosis is as high as 60%, accompanied by osteoporosis, fracture, bone necrosis, disability and other diseases, resulting in continued high demand of orthopaedic implant medical devices. (Source: The UN; Shenwan Hongyuan Securities research report).

Other factors such as 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 double digits market growth rate in the near future in China.





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

- No other similar patent registrations in China.
- We are the only company received market approval and permitted to perform PA clinical trials by the CFDA to the best of our knowledge.
- We have a timing advantage over other companies in China, which would have to go through the preclinical testing for the CFDA permit on clinical trials.
- Under new regulations by the CFDA, it will take at least 5-10 years for clinical trials of new materials.
- Our patented material will enables us to rapidly diversify our product line according to market trend and demand.

*Number of Hospitals at the end of November 2018 Statistic and Census report by the National Health Commission of the People's Republic of China.*

Statistic and Census report by National Health Commission of the People's Republic of China

(November 2018)

|                        | November<br>2018 | November<br>2017 | Increase /<br>(Decrease) |
|------------------------|------------------|------------------|--------------------------|
| Total No. of Hospitals | 32,476           | 30,294           | 2,182                    |
| Public Hospital        | 12,072           | 12,181           | (109 )                   |
| Private Hospital       | 20,404           | 18,113           | 2,291                    |
| Hospital Rating        |                  |                  |                          |
| AAA                    | 2,498            | 2,311            | 187                      |
| AA                     | 8,806            | 8,285            | 521                      |
| A                      | 10,477           | 9,632            | 845                      |

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.

#### **Distribution Model**

Dealer/Distributor System:

We collaborate with dealers to sell and distribute our products to various hospitals and reach the consumers, i.e. bone fracture victims. The company will assist dealers to promote products to famous orthopaedic hospitals

By utilizing a distributor, ABMT will further benefit from promotional activities by having a second party help with common objectives, and at the same time, increase our sales audience through their contacts.

Currently, we have established contacts with various national and district distributors, every distributor covers a minimum of 50 hospitals so our total coverage is 6,000 hospitals. We will provide ongoing after-sales service, technical supports and conventional meetings, etc., to help our distributors better promote our products.

Direct Hospital Sales (DHS):

Our Direct Hospital Sales (DHS) regions will include Guangdong, Jiangsu, Zhejiang, Xinjiang, Shanghai and Beijing at the beginning. We have already established close relationships with the 7 state-level hospitals where our clinical tests have been conducted at. These hospitals are located in one of the fastest growing areas of China, healthcare coverage for 20% of the Chinese population. These 7 State level hospitals are:

1. The First Affiliated Hospital of Hunan University of Traditional Chinese Medicine.
2. The Second Affiliated Hospital of Zhongshan University.
3. The First Affiliated Hospital of Guangxi Traditional Chinese Medicine University.
4. The First Affiliated Hospital of Guangxi Medical University.
5. The People's Hospital of Guangxi Zhuang Autonomous Region.
6. The Affiliated Hospital of Jiangxi University of Traditional Chinese Medicine.
7. Luoyang Orthopaedic-Traumatological Hospital.

Apart from assisting in our sales. These 7 hospitals will also be assisting ABMT in future clinical applications and trials.

In addition, we will receive up-to-date information directly from physicians to develop new products better suited for current patient needs and hence, speed up product commercialization.

## **Research and Development**

Research and development costs related to both present and future products are expensed as incurred. Total expenditure on research and development charged to general and administrative expenses for the years ended October 31, 2018 and 2017 was \$56,512 and \$48,053.

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 October 31, 2018 and 2017, the Company owed \$718,808 and \$582,795 respectively to a stockholder – Titan Technology Development Limited, which is unsecured and repayable on demand. Interest is charged at 7% per annum on the amount owed.

As of October 31, 2018 and 2017, the Company owed \$1,715,840 and \$1,710,759 to Chi Fung Yu, \$2,344,849 and \$1,800,541 to Tie Jun Chen, \$36,040 and \$35,782 to Que Feng, \$228,842 and \$220,098 to Shenzhen Hygeian Medical Device Company, Limited., which are unsecured and repayable on demand. Interest is charged at 7% per annum on the amount owed.

Total interest expenses on advances from a stockholder accrued for the year ended October 31, 2018 and October 31, 2017 are \$42,884 and \$37,379 for Titan Technology Development Limited.

Total interest expenses on advances from following related parties accrued for the year ended October 31, 2018 and October 31, 2017 are \$98,431 and \$93,951 for Chi Fung Yu; \$128,680 and \$97,045 for Tie Jun Chen; \$2,133 and \$2,059 for Que Feng; \$14,628 and \$11,710 for Shenzhen Hygeian Medical Device Company.

As of October 31, 2018 and October 31, 2017, the Company owed the following amounts respectively to three directors for advances made - \$252,377 and \$298,818 to Wang Hui; \$20,930 and \$22,602 to Chi Ming Yu; \$567 and \$0 to Kai Gui. These advances were made on an unsecured basis, repayable on demand and interest free.

Imputed interest charged at 5% per annum on the amounts owed to the directors for the year ended October 31, 2018 and 2017 respectively is \$13,815 and \$15,623 for Wang Hui; \$0 and \$0 for Chi Ming Yu and Kai Gui.

## Income Tax

ABMT was incorporated in the United States and has incurred net operating loss for income tax purposes for 2018 and 2017. ABMT has net operating loss carry forwards for income taxes amounting to approximately \$2,082,118 and \$1,915,159 as of October 31, 2018 and 2017 respectively which may be available to reduce future years' taxable income. These carry forwards, will expire, if not utilized, commencing in 2029. Management believes that the realization of the benefits from these losses appears uncertain due to the Company's limited operating history and

continuing losses. Accordingly, a full, deferred tax asset valuation allowance has been provided and no deferred tax asset valuation allowance has been provided and no deferred tax asset benefit has been recorded. The valuation allowance at October 31, 2018 and 2017 was \$707,920 and \$651,154 respectively. The net change in the valuation allowance for 2018 was an increase of \$56,766.

Masterise was incorporated in the BVI and under current law of the BVI, is not subject to tax on income.

Shenzhen Changhua was incorporated in the PRC and is subject to PRC income tax which is computed according to the relevant laws and regulations in the PRC. The income tax rate has been 25%. No income tax expense has been provided by Shenzhen Changhua as it is waiting for CFDA approval and it has incurred losses.

## **Net Loss**

As reflected in the accompanying audited consolidated financial statements, the Company has an accumulated deficit of \$8,632,618 at October 31, 2018 that includes a net loss of \$953,320 for the year ended October 31, 2018. We therefore do not have any revenue from inception to October 31, 2018 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 \$5,721,907 at October 31, 2018 compared to a working capital deficit of \$5,055,542 as of October 31, 2017. Our working capital deficit increased as a result of the fact that we are in clinical trial phase, the company has put all resources to complete the clinical trials. We do not have a CFDA permit to produce, market or sell in China. We had no revenues during the year and that our sole source of financing came in the form of a loan from our related parties and stockholders.

## **Cash Flows**

### Net Cash Used in Operating Activities

Net cash used in operating activities was \$832,421 in the year ended October 31, 2018. This amount was attributable primarily to the net loss after adjustment for non-cash items, such as depreciation and imputed interest on advances from directors.

Net Cash Used in Investing Activities

We recorded \$64,405 net cash used in investing activities in the year ended October 31, 2018. 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 year ended October 31, 2018 was \$889,901, 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 October 31, 2018, 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, manufacturing and marketing our products, clinical trials or further development that may arise.

### **Going Concern**

As reflected in the accompanying consolidated financial statements, the Company has an accumulated deficit of \$8,632,618 as of October 31, 2018 that includes a net loss of \$953,320 for the year ended October 31, 2018. The Company's total current liabilities exceed its total current assets by \$5,721,907 and the Company used cash in operations of \$832,421.

These factors raise substantial doubt about our 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 balance sheet is dependent upon continued operations of the Company, which in turn is dependent up 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 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 now pursuing additional funding and potential merger or acquisition candidates, which would enhance stockholders' investment. Management believes that the above actions will allow the Company to continue operations through the next fiscal year.

As of October 31, 2018, loans from the Company's stockholder, two directors, three related parties and a non-related third party totaling \$5,312,246 were provided to us for use as working capital. Management believes that such financing will allow us to continue operations through the next fiscal year. The Company is also actively pursuing a number of private placements funding which would ensure continued operations.

### **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 of the assets are 5 years.



## 2. Long-lived assets

In accordance with FASB Codification Topic 360 (ASC Topic 360), “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.

Long-lived assets, such as property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. Impairment of the carrying value of long-lived assets would be indicated if the best estimate of future undiscounted cash flows expected to be generated by the asset grouping is less than its carrying value. If an impairment is indicated, any loss is measured as the difference between estimated fair value and carrying value and is recognized in operating income. For the year ended October 31, 2018 and 2017, the company has not recognized any impairment charges.

## 3. Fair value of financial instruments

FASB Codification Topic 825(ASC Topic 825), “Disclosure About Fair Value of Financial Instruments,” requires certain disclosures regarding the fair value of financial instruments. The carrying amounts of other receivables and prepaid expenses, other payables and accrued expenses, due to a stockholder, directors and 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 grants are recognized when there is reasonable assurance that the Company complies with any conditions attached to them and the grants will be received.

## 5. Income taxes

The Company accounts for income taxes under the FASB Codification Topic 740-10-25 (“ASC 740-10-25”). Under ASC 740-10-25, 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 ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period included 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

### Business Combination: Clarifying the Definition of a Business

In January 2017, the FASB issued ASU No. 2017-1 "Topic 805, Business Combinations: Clarifying the Definition of a Business". The amendments in this update provide a screen to determine when a set is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. The amendments in this update affect all reporting entities that must determine whether they have acquired or sold a business. Public business entities should apply the amendments in this update to annual periods beginning after December 15, 2017, including interim periods within those periods. All other entities should apply the amendments to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Company does not expect the adoption of ASU 2017-1 to have a material impact on its consolidated financial statements.

### Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued ASU No. 2017-4 "Topic 350: Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment." The amendments in this update eliminate step two of the goodwill impairment test and

specifies that goodwill impairment should be measured by comparing the fair value of a reporting unit with its carrying amount. Additionally, the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets should be disclosed. The amendments in this update are effective for annual or interim goodwill impairment tests performed in fiscal years beginning after December 15, 2019; early adoption is permitted. The Company does not expect the adoption of ASU 2017-4 to have a material impact on its consolidated financial statements.

#### Share-based Compensation

In May 2017, the FASB issued guidance on changes to terms and conditions of share-based payment awards. The amendment provides guidance about which changes to terms or conditions of a share-based payment award require an entity to apply modification accounting. The guidance is effective for the fiscal year beginning on January 1, 2018, including interim periods within that year.

In June 2018, the scope of Topic 718 has been expanded to include sharebased payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2018 and after December 15, 2019 for all other entities. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606.

The Company does not anticipate that adoption of these guidances will have a material impact on its consolidated financial statements.

#### Revenue Recognition

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. Under the new standard, a good or service is transferred to the customer when (or as) the customer obtains control of the good or service, which differs from the risk and rewards approach under current guidance. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an

entity's contracts with customers. In March, April and May 2016, the FASB issued three additional updates regarding identifying performance obligations and licensing, certain principal versus agent considerations and various narrow scope improvements based on practical questions raised by users. In September 2017, the FASB issued additional amendments providing clarification and implementation guidance. The guidance may be adopted through either retrospective application to all periods presented in the financial statements (full retrospective approach) or through a cumulative effect adjustment to retained earnings at the effective date (modified retrospective approach). The guidance is effective for the fiscal periods beginning on January 1, 2018.

## Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. The new standard, as amended by ASU 2018-01 and ASU 2018-11, is effective for annual periods beginning after December 15, 2018 on a modified retrospective basis. The Company will adopt ASU 2016-02 in its first quarter of the year ending October 31 2020. The Company expects its leases designated as operating leases in Note 6, "Commitments and Contingencies," will be reported on the consolidated balance sheets upon adoption. However, the ultimate impact of adopting ASU 2016-02 will depend on the lease terms as of the adoption date.

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and do not believe the future adoptions of any such pronouncements may be expected to cause a material impact on the financial condition or the results of operations.

## **ITEM 7A. 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 under this item.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

ADVANCED BIOMEDICAL TECHNOLOGIES, INC.  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
AS OF OCTOBER 31, 2018

20

ADVANCED BIOMEDICAL TECHNOLOGIES, INC.  
AND SUBSIDIARIES

CONTENTS

|   | <b>Pages</b> |
|---|--------------|
| Reports of Independent Registered Public Accounting Firm            | F-2          |
| <u>Consolidated Balance Sheets</u>                                  | F-3          |
| <u>Consolidated Statements of Operations and Comprehensive Loss</u> | F-4          |
| <u>Consolidated Statements of Stockholders' Deficit</u>             | F-5          |
| <u>Consolidated Statements of Cash Flows</u>                        | F-6          |
| <u>Notes to Consolidated Financial Statements</u>                   | F-7 – F-13   |

F-1

Insert letter

F-2

## ADVANCED BIOMEDICAL TECHNOLOGIES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

|   | October 31,<br>2018 | October 31,<br>2017 |
|---|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |
| <b>CURRENT ASSETS</b>   |                     |                     |
| Cash and cash equivalents   | \$6,860             | \$7,463             |
| Other receivables and prepaid expenses  | 32,649              | 17,469              |
| Total Current Assets  | 39,509              | 24,932              |
| Property and equipment, cost  | 521,120             | 483,482             |
| Less: Accumulated depreciation  | (418,225 )          | (422,967 )          |
| PROPERTY AND EQUIPMENT, NET   | 102,895             | 60,515              |
| LONG-TERM PREPAID EXPENSES, NET   | -                   | -                   |
| DEPOSIT FOR PURCHASE OF PROPERTY AND EQUIPMENT  | -                   | -                   |
| TOTAL ASSETS  | \$142,404           | \$85,447            |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  |                     |                     |
| <b>CURRENT LIABILITIES</b>  |                     |                     |
| Other payables and accrued expenses   | \$443,163           | \$409,079           |
| Due to directors  | 273,874             | 321,420             |
| Due to a stockholder  | 718,808             | 582,795             |
| Due to related parties  | 4,325,571           | 3,767,180           |
| Total Current Liabilities   | 5,761,416           | 5,080,474           |
| COMMITMENTS AND CONTINGENCIES   | -                   | -                   |
| <b>STOCKHOLDERS' DEFICIT</b>  |                     |                     |
| Common stock, \$0.00001 par value, 100,000,000 shares authorized, 69,624,850 issued and outstanding as of October 31, 2018 and October 31, 2017 | 696                 | 694                 |
| Additional paid-in capital  | 2,740,183           | 2,673,620           |
| Accumulated deficit   | (8,632,618)         | (7,679,298)         |
| Accumulated other comprehensive income/(loss)   | 272,727             | 9,957               |
| Total Deficit   | (5,619,012)         | (4,995,027)         |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT   | \$142,404           | \$85,447            |



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

F-3

## ADVANCED BIOMEDICAL TECHNOLOGIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

|   | Year ended          |                     |
|---|---------------------|---------------------|
|   | October 31,<br>2018 | October 31,<br>2017 |
| <b>OPERATING EXPENSES</b>   |                     |                     |
| General and administrative expenses                                       | \$561,210           | \$341,956           |
| Depreciation  | 16,295              | 13,604              |
| Research and development  | 56,512              | 48,053              |
| Total Operating Expenses  | 634,017             | 403,613             |
| <b>LOSS FROM OPERATIONS</b>   | (634,017 )          | (403,613 )          |
| <b>OTHER (EXPENSES) INCOME</b>  |                     |                     |
| Interest income   | 36                  | 36                  |
| Interest paid to a stockholder and related parties                        | (286,756 )          | (242,144 )          |
| Interest paid to a third party  | -                   | -                   |
| Imputed interest  | (13,815 )           | (15,623 )           |
| Other, net  | (18,768 )           | (30,256 )           |
| Total Other (Expenses) Income, net  | (319,303 )          | (287,987 )          |
| <b>LOSS BEFORE TAXES</b>  | (953,320 )          | (691,600 )          |
| Income tax expense  | -                   | -                   |
| <b>NET LOSS</b>   | (953,320 )          | (691,600 )          |
| Net loss attributable to non-controlling interests                        | -                   | -                   |
| <b>NET LOSS ATTRIBUTABLE TO ABMT COMMON STOCKHOLDERS</b>                  | (953,320 )          | (691,600 )          |
| <b>OTHER COMPREHENSIVE INCOME</b>   |                     |                     |
| Foreign currency translation income                                       | 262,770             | (94,255 )           |
| Total other comprehensive gain/(loss)                                     | 262,770             | (94,255 )           |
| <b>COMPREHENSIVE GAIN/(LOSS) ATTRIBUTABLE TO ABMT COMMON STOCKHOLDERS</b> | \$(690,550 )        | \$(785,855 )        |
| Net loss per share-basic and diluted                                      |                     |                     |
| - basic and diluted   | \$(0.01 )           | \$(0.01 )           |
| Weighted average number of shares outstanding during the year             |                     |                     |
| - basic and diluted   | 69,381,015          | 68,277,590          |

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

F-4

## ADVANCED BIOMEDICAL TECHNOLOGIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

|   | Common stock     |        | Additional      | Accumulated    | Accumulated other  | Total         |
|---|------------------|--------|-----------------|----------------|--------------------|---------------|
|   | Number of shares | Amount | paid-in capital | deficit        | comprehensive loss |               |
| Balance at October 31, 2015                         | 56,874,850       | \$ 569 | \$ 1,949,132    | \$(6,262,961 ) | \$(148,227 )       | \$(4,461,487) |
| Stock issued for debt conversion at 0.05 per shares | 10,000,000       | 100    | 499,900         | -              | -                  | 500,000       |
| Stock issued for services (\$1 per share)           | 250,000          | 2      | 52,498          | -              | -                  | 52,500        |
| Imputed interest on advances from directors         |                  |        | 18,990          | -              | -                  | 18,990        |
| Net loss for the year                               | -                | -      | -               | (724,737 )     | -                  | (724,737 )    |
| Foreign currency translation gain                   | -                | -      | -               | -              | 252,439            | 252,439       |
| Balance at Oct 31, 2016                             | 67,124,850       | \$ 671 | \$ 2,520,520    | \$(6,987,698 ) | \$ 104,212         | \$(4,362,295) |
| Stock issued for debt conversion at 0.05 per share  | 2,000,000        | 20.00  | 99,980          | -              | -                  | 100,000       |
| Stock issued for services (\$0.15 per share)        | 250,000          | 3.00   | 37,497          | -              | -                  | 37,500        |
| Imputed interest on advances from directors         | -                | -      | 15,623          | -              | -                  | 15,623        |
| Net loss for the year                               | -                | -      | -               | (691,600 )     | -                  | (691,600 )    |
| Foreign currency translation gain                   | -                | -      | -               | -              | (94,255 )          | (94,255 )     |
| Balance at October 31, 2017                         | 69,374,850       | \$ 694 | \$ 2,673,620    | \$(7,679,298 ) | \$ 9,957           | \$(4,995,027) |
| Stock issued for services (\$0.211 per share)       | 250,000          | 2.00   | 52,748          | -              | -                  | 52,750        |
| Imputed interest on advances from directors         | -                | -      | 13,815.00       | -              | -                  | 13,815        |

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|                                   |            |        |             |                |            |               |
|-----------------------------------|------------|--------|-------------|----------------|------------|---------------|
| Net loss for the year             | -          | -      | -           | (953,320 )     | -          | (953,320 )    |
| Foreign currency translation loss | -          | -      | -           | -              | 262,770    | 262,770       |
| Balance at October 31, 2018       | 69,624,850 | \$ 696 | \$2,740,183 | \$(8,632,618 ) | \$ 272,727 | \$(5,619,012) |

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

F-5

## ADVANCED BIOMEDICAL TECHNOLOGIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Year ended<br>October 31, |             |
|---|---------------------------|-------------|
|   | 2018                      | 2017        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                           |             |
| Net loss attributable to ABMT common stockholders                       | \$(953,320)               | \$(691,600) |
| Adjustments to reconcile net loss to cash used in operating activities: |                           |             |
| Depreciation  | 16,295                    | 13,604      |
| Loss on disposal of property and equipment                              | -                         | 37,500      |
| Stock issued for services   | 52,750                    | -           |
| Imputed interest  | 13,815                    | 15,623      |
| Changes in operating assets and liabilities                             |                           |             |
| Decrease (increase) in:   |                           |             |
| Other receivables and prepaid expenses                                  | (16,861 )                 | 3,291       |
| Increase in:  |                           |             |
| Other payables and accrued expenses                                     | 54,900                    | 63,870      |
| Net cash used in operating activities                                   | (832,421)                 | (557,712)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                           |             |
| Purchase of property and equipment                                      | (64,405 )                 | (453 )      |
| (Increase) decrease in deposit for purchase of property and equipment   | -                         | 1,213       |
| Net cash used in investing activities                                   | (64,405 )                 | 760         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |                           |             |
| Due to a stockholder  | 136,441                   | 89,444      |
| Due to directors  | (34,932 )                 | (48,351 )   |
| Due to related parties  | 794,771                   | 516,658     |
| Net cash provided by financing activities                               | 896,280                   | 557,751     |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>     | (57 )                     | 105         |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>           | (603 )                    | 904         |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>               | 7,463                     | 6,559       |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>                     | \$6,860                   | \$7,463     |
| <b>Supplemental of cash flow information</b>                            |                           |             |
| Interest income   | \$36                      | \$36        |
| Income tax  | \$-                       | \$-         |
| <b>Other non cash items</b>   |                           |             |

|                   |           |           |
|-------------------|-----------|-----------|
| Interest expenses | \$286,756 | \$242,144 |
|-------------------|-----------|-----------|

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

F-6

ADVANCED BIOMEDICAL TECHNOLOGIES, INC.  
AND SUBSIDIARIES

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION**

(A) Organization

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

Shenzhen Changhua Biomedical Engineering Co., Ltd. (“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 has been involved in the development of polymer screws, rods and binding wires for fixation on human fractured bones. The Company is currently involved in researching, manufacturing and conducting clinical trials on its products and intends to raise additional capital to produce and market its products commercially. The Company holds one Class III permit and one Class II permit from the China Food and Drug Administration (“CFDA”), formally the State Food and Drug Administration (“SFDA”) of the PRC. The Company holds two patents issued by the State Intellectual Property Office of the P.R.C. (“SIPO”). The Company has no revenue since its inception and, in accordance with Accounting Standards Codification (“ASC”) Topic 915, “Development Stage Entities”, is considered a Development Stage Company.

Masterise Holdings Limited (“Masterise”) was incorporated in the British Virgin Islands on 31 May, 2007 as an investment holding company. Masterise is owned as to 63% by the spouse of Shenzhen Changhua’s 70% majority stockholder 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 are under common control and management, the acquisition was accounted for as a reorganization of entities under common control. Accordingly, the operations of Shenzhen Changhua 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 Geostar 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 an 80.7% stockholder of ABMT.

On March 13, 2009, the name of the Company was changed from Geostar Mineral Corporation to Advanced Biomedical Technologies, Inc.

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”).

(B) 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.

(C) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(D) Cash and cash equivalents

For purpose of the statements of cash flows, cash and cash equivalents include cash on hand and demand deposits with a bank with a maturity of less than three months. As of October 31, 2018 and 2017, all the cash and cash equivalents were denominated in United States Dollars ("US\$"), Hong Kong Dollars ("HK\$") and Renminbi ("RMB") and were placed with banks in the United States of America, Hong Kong and PRC. Balances at financial institutions or state-owned banks within the PRC are not freely convertible into foreign currencies and the remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government.

(E) 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 of the assets are 5 years.

(F) Long-lived assets

The Company accounts for long-lived assets under the FASB Codification Topic 360 (ASC 360) “Accounting for Impairment or Disposal of Long-Lived Assets”. In accordance with ASC Topic 360, long-lived 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, when undiscounted future cash flows will not be sufficient to recover an asset’s carrying amount, the asset is written down to its fair value. The long-lived assets of the Company, which are subject to evaluation, consist primarily of property and equipment. For the years ended October 31, 2018 and 2017, the Company has not recognized any allowances for impairment.

(G) Fair value of financial instruments

FASB Codification Topic 825 (ASC Topic 825), “Disclosure About Fair Value of Financial Instruments,” requires certain disclosures regarding the fair value of financial instruments. The carrying amounts of other receivables and prepaid expenses other payables and accrued liabilities and due to directors, a stockholder and 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.

(H) Income taxes

The Company accounts for income taxes under the FASB Codification Topic 740-10-25 (“ASC 740-10-25”). Under ASC 740-10-25, 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 ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period included the enactment date.

We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is greater than 50% likelihood that a tax benefit will be sustained, we have recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is a 50% or less likelihood that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

(I) Research and development

Research and development costs related to both present and future products are expensed as incurred. Total expenditure on research and development charged to general and administrative expenses for the years ended October 31, 2018 and 2017 were \$56,512 and \$48,053 respectively.

F-8

(J) Foreign currency translation

The reporting currency of the Company is the US dollar. ABMT, Masterise and Shenzhen Changhua maintain their accounting records in their functional currencies of US\$, HK\$ and RMB respectively.

Foreign currency transactions during the year are translated to the functional currency at the approximate rates of exchange on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the approximate rates of exchange at that date. Non-monetary assets and liabilities are translated at the rates of exchange prevailing at the time the asset or liability was acquired. Exchange gains or losses are recorded in the statement of operations.

The financial statements of Masterise and Shenzhen Changhua (whose functional currency is HK\$ and RMB respectively) 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.

The exchange rates used to translate amounts in HK\$ and RMB into US\$ for the purposes of preparing the financial statements were as follows:

|  | October 31, 2018           | October 31, 2017           |
|--|----------------------------|----------------------------|
| Balance sheet items, except for share capital, additional paid-in capital and accumulated deficits, as of year end | US\$1=HK\$7.8393=RMB6.9737 | US\$1=HK\$7.8015=RMB6.6328 |
| Amounts included in the statements of operations and cash flows for the year                                       | US\$1=HK\$7.8351=RMB6.5629 | US\$1=HK\$7.7842=RMB6.8013 |

The translation gain and loss recorded for the years ended October 31, 2018 and 2017 were \$262,770 and \$94,255 respectively.

No presentation is made that RMB amounts have been, or would be, converted into US\$ at the above rates. Although the Chinese government regulations now allow convertibility of RMB for current account transactions, significant restrictions still remain. Hence, such translations should not be construed as representations that RMB could be

converted into US\$ at that rate or any other rate.

The value of RMB against US\$ and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. Any significant revaluation of RMB may materially affect the Company's financial condition in terms of US\$ reporting.

(K) Other comprehensive loss

The foreign currency translation gain or loss resulting from translation of the financial statements expressed in RMB and HK\$ to US\$ is reported as other comprehensive gain or loss in the statements of operations and stockholders' deficit. Other comprehensive gain and loss for the years ended October 31, 2018 and 2017 were \$262,770 and \$94,255 respectively.

(L) Loss per share

Basic loss per share are computed by dividing income available to stockholders by the weighted average number of shares outstanding during the year. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional shares that would have been outstanding if the potential shares had been issued and if the additional shares were diluted. There are no potentially dilutive securities as at October 31, 2018 and October 31, 2017.

(M) Segments

The Company operates in only one segment, thereafter segment disclosure is not presented.

(N) Recent Accounting Pronouncements

Business Combination: Clarifying the Definition of a Business

In January 2017, the FASB issued ASU No. 2017-1 "Topic 805, Business Combinations: Clarifying the Definition of a Business". The amendments in this update provide a screen to determine when a set is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. The amendments in this update affect all reporting entities that must determine whether they have acquired or sold a business. Public business entities should apply the

amendments in this update to annual periods beginning after December 15, 2017, including interim periods within those periods. All other entities should apply the amendments to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Company does not expect the adoption of ASU 2017-1 to have a material impact on its consolidated financial statements.

F-9

### Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued ASU No. 2017-4 “Topic 350: Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment.” The amendments in this update eliminate step two of the goodwill impairment test and specifies that goodwill impairment should be measured by comparing the fair value of a reporting unit with its carrying amount. Additionally, the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets should be disclosed. The amendments in this update are effective for annual or interim goodwill impairment tests performed in fiscal years beginning after December 15, 2019; early adoption is permitted. The Company does not expect the adoption of ASU 2017-4 to have a material impact on its consolidated financial statements.

### Share-based Compensation

In May 2017, the FASB issued guidance on changes to terms and conditions of share-based payment awards. The amendment provides guidance about which changes to terms or conditions of a share-based payment award require an entity to apply modification accounting. The guidance is effective for the fiscal year beginning on January 1, 2018, including interim periods within that year.

In June 2018, the scope of Topic 718 has been expanded to include sharebased payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2018 and after December 15, 2019 for all other entities. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606.

The Company does not anticipate that adoption of these guidances will have a material impact on its consolidated financial statements.

### Revenue Recognition



In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. Under the new standard, a good or service is transferred to the customer when (or as) the customer obtains control of the good or service, which differs from the risk and rewards approach under current guidance. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In March, April and May 2016, the FASB issued three additional updates regarding identifying performance obligations and licensing, certain principal versus agent considerations and various narrow scope improvements based on practical questions raised by users. In September 2017, the FASB issued additional amendments providing clarification and implementation guidance. The guidance may be adopted through either retrospective application to all periods presented in the financial statements (full retrospective approach) or through a cumulative effect adjustment to retained earnings at the effective date (modified retrospective approach). The guidance is effective for the fiscal periods beginning on January 1, 2018.

## Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. The new standard, as amended by ASU 2018-01 and ASU 2018-11, is effective for annual periods beginning after December 15, 2018 on a modified retrospective basis. The Company will adopt ASU 2016-02 in its first quarter of the year ending October 31 2020. The Company expects its leases designated as operating leases in Note 6, "Commitments and Contingencies," will be reported on the consolidated balance sheets upon adoption. However, the ultimate impact of adopting ASU 2016-02 will depend on the lease terms as of the adoption date.

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and do not believe the future adoptions of any such pronouncements may be expected to cause a material impact on the financial condition or the results of operations.

**2. PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at October 31, 2018 and 2017:

|                                | October 31, |           |
|--------------------------------|-------------|-----------|
|                                | 2018        | 2017      |
| Plant and machinery            | \$296,517   | \$280,871 |
| Motor vehicles                 | 39,534      | 41,566    |
| Office equipment               | 34,572      | 34,902    |
| Computer software              | 5,017       | 5,017     |
| Office improvements            | 145,480     | 121,126   |
|                                | 521,120     | 483,482   |
| Less: accumulated depreciation | 418,225     | 422,967   |
| Property and equipment, net    | \$102,895   | \$60,515  |

Depreciation expense for the year ended October 31, 2018 and 2017 was \$16,295 and \$13,604 respectively.

**3. OTHER PAYABLES AND ACCRUED EXPENSES**

Other payables and accrued expenses at October 31, 2018 and 2017 consisted of the followings:

|                  | October 31, |           |
|------------------|-------------|-----------|
|                  | 2018        | 2017      |
| Other payables   | \$215,095   | \$223,437 |
| Accrued expenses | 228,068     | 185,642   |
|                  | \$443,163   | \$409,079 |

**4. RELATED PARTY TRANSACTIONS**

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As of October 31, 2018 and 2017, the Company owed \$718,808 and \$582,795 respectively to Titan Technology Development Limited, a stockholder.

As of October 31, 2018 and 2017, advances from related parties were as follows:

|   | October 31, |             |
|---|-------------|-------------|
|   | 2018        | 2017        |
| Yu Chi Fung                               | \$1,715,840 | \$1,710,759 |
| Que Feng                                  | 36,040      | 35,782      |
| Chen Tie Jun                              | 2,344,849   | 1,800,541   |
| Shenzhen Hygeian Medical Device Co., Ltd. | 228,842     | 220,098     |
| Amount due to related parties             | \$4,325,571 | \$3,767,180 |

F-11

Advances from a stockholder and related parties are unsecured, repayable on demand and bearing interest at 7% per annum. Interest expenses on advances from a stockholder and the related parties accrued for the years ended October 31, 2018 and 2017 were as follows:

|  | October 31, |           |
|--|-------------|-----------|
|  | 2018        | 2017      |
| Titan Technology Development Limited, a stockholder    | \$42,884    | \$37,379  |
| Related parties:                                       |             |           |
| Que Feng   | 2,133       | 2,059     |
| Yu Chi Fang  | 98,431      | 93,951    |
| Chen Tie Jun   | 128,680     | 97,045    |
| Shenzhen Hygeian Medical Device Co., Ltd.              | 14,628      | 11,710    |
| Interest expenses to a stockholder and related parties | \$286,756   | \$242,144 |

As of October 31, 2018 and 2017, advances from directors were as follows:

|                         | October 31, |           |
|-------------------------|-------------|-----------|
|                         | 2018        | 2017      |
| Wang Wei                | \$252,377   | \$298,818 |
| Gui Kai                 | 567         | -         |
| Yu Chi Ming             | 20,930      | 22,602    |
| Amount due to directors | \$273,874   | \$321,420 |

Advances from directors were unsecured, repayable on demand and interest free. Imputed interests on the amounts owed to Wang Wei, a director, were \$13,815 and \$15,623 for the years ended October 31, 2018, and 2017 respectively.

## 5. STOCKHOLDERS' DEFICIENCY

### Common stock

On December 8, 2011, the Company issued 100,000 shares of restricted common stock at \$0.2 to Dr. John Lynch, the Company's chief officer of dental technologies, for services for a term of twelve months. The shares were valued at the closing price on the date of grant yielding an aggregate fair value of \$20,000, fully recognised in prior years as

consultancy fees included in general and administrative expenses.

On 28 October 2013, the Company issued 150,000 shares of restricted common stock as directors' services compensation for past services to each of Mr. Chi Ming Yu and Kai Gui, directors of the Company. The shares were valued at the closing price of \$0.71 per share on the date of grant, yielding an aggregate fair value of \$213,000.

On 13 November 2015, \$106,506 of the interest payable to a Company's stockholder and \$393,494 of the interest payable to two related parties, totaled \$500,000, were converted into 10,000,000 shares of common stock at a conversion price of \$0.05 per share and which were issued to the said stockholder.

On 31 March 2016, the Company issued 100,000 and 150,000 shares of restricted common stock as directors' compensation for past services to Mr. Chi Ming Yu and Mr. Kai Gui, directors of the Company respectively. The shares were valued at the closing price of \$0.21 per share on the date of grant, yielding an aggregate fair value of \$52,500.

On 28 April 2017, the Company issued 100,000 and 150,000 shares of restricted common stock as directors' compensation for past services to Mr. Chi Ming Yu and Mr. Kai Gui, directors of the Company respectively. The shares were valued at the closing price of \$0.15 per share on the date of grant, yielding an aggregate fair value of \$37,500.

On 23 October 2018, the Company issued 100,000 and 150,000 shares of restricted common stock as directors' compensation for past services to Mr. Chi Ming Yu and Mr. Kai Gui, directors of the Company respectively. The shares were valued at the closing price of \$0.211 per share on the date of grant, yielding an aggregate fair value of \$52,750.

## **6. COMMITMENTS AND CONTINGENCIES**

### **(A) Employee benefits**

The full time employees of the Company are entitled to employee benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a Chinese government mandated multi-employer defined contribution plan. The Company is required to accrue for these benefits based on certain percentages of the employees' salaries and make contributions to the plans out of the amounts accrued for medical and pension benefits. The total provisions and contributions made for such employee benefits was \$58,469 and \$37,440 for the years ended October 31, 2018 and 2017 respectively. The Chinese government is responsible for the medical benefits and the pension liability to be paid to these employees.

F-12

(B) Lease commitments

As of October 31, 2018, the Company had outstanding commitments with respect to operating leases, which are due as follows:

|       |          |
|-------|----------|
| 2018  | \$41,298 |
| 2019  | 34,415   |
| 2020  | 14,340   |
| Total | \$90,053 |

The Company leased from a third party office space at monthly rent prevailing at October 31, 2018 of \$1,867 (2017: \$1,963). This operating lease expired on July 20, 2015. The Company continues to lease this premises at same monthly rent pending a formal renewal of the lease.

(C) Capital commitments

The Company has no outstanding commitments contracted for, net of deposit paid, in respect of acquisitions of plant and machineries as of October 31, 2018 (2017: Nil).

## 7. INCOME TAX

ABMT was incorporated in the United States and has incurred net operating loss for income tax purposes for 2018 and 2017. ABMT has net operating loss carry forwards for income taxes amounting to approximately \$2,082,118 and \$1,915,159 as of October 31, 2018 and 2017 respectively which may be available to reduce future years' taxable income. These carry forwards, will expire, if not utilized, commencing in 2029. Management believes that the realization of the benefits from these losses appears uncertain due to the Company's limited operating history and continuing losses. Accordingly, a full, deferred tax asset valuation allowance has been provided and no deferred tax asset valuation allowance has been provided and no deferred tax asset benefit has been recorded. The valuation allowance at October 31, 2018 and 2017 was \$707,920 and \$651,154 respectively. The net change in the valuation allowance for 2018 was an increase of \$56,766.

Masterise was incorporated in the BVI and under current law of the BVI, is not subject to tax on income.

Shenzhen Changhua was incorporated in the PRC and is subject to PRC income tax which is computed according to the relevant laws and regulations in the PRC. The income tax rate has been 25%. No income tax expense has been provided by Shenzhen Changhua as it has incurred losses. The losses cannot be carried forward as Shenzhen Changhua has not yet commenced operation.

## **8. CONCENTRATIONS AND RISKS**

As at October 31, 2018 and 2017, 94% and 6% of the Company's assets were located in the P.R.C. and the United States respectively.

## **9. GOING CONCERN**

As reflected in the accompanying consolidated financial statements, the Company has an accumulated deficit of \$8,632,618 as of October 31, 2018 that includes a net loss of \$953,320 for the year ended October 31, 2018. The Company's total current liabilities exceed its total current assets by \$5,721,907 and the Company used cash in operations of \$832,421. 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 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.

To continue as a going concern, the Company is actively pursuing additional funding and strategic partners to enable it to implement its business plan. Management believes that these actions, if successful, will allow the Company to continue its operations through the next fiscal year.

## **10. SUBSEQUENT EVENT**

The Company has evaluated the existence of significant events subsequent to the balance sheet date through the date the financial statements were issued and has determined that there were no subsequent events or transactions which would require recognition or disclosure in the financial statements.



**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

There were no disagreements related to accounting principles or practices, financial statement disclosure, internal controls or auditing scope or procedure during the two fiscal years and interim periods, including the interim period up through the date the relationship ended.

**ITEM 9A. CONTROLS AND PROCEDURES.**

*Evaluation of Disclosure Controls and Procedures*

We have established disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Our disclosure controls and procedures are designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our principal executive officer and principal financial officer by others within our organization. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of October 31, 2018 to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of October 31, 2018.

*Management's Annual Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of October 31, 2018, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission (1992). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of October 31, 2018. The Company's internal control over financial reporting as of October 31, 2018 has not been audited by the

Company's independent accountants.

*Changes in Internal Control Over Financial Reporting*

During the year ended October 31, 2018, there were no significant changes in our internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

21

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

### Officers and Directors

Our directors serve until his successor is elected and qualified. Each of our officers is elected by the board of directors to a term of one (1) year and serves until his or her successor is duly elected and qualified, or until he or she is removed from office. The board of directors has no nominating, auditing or compensation committees.

The name, age and position of our officers and directors are set forth below:

| Name and Address | Age | Position(s)   |
|------------------|-----|---|
| Chi Ming Yu      | 45  | President, Director   |
| Hui Wang         | 49  | Chief Executive Officer, Director                                     |
| Kai Gui          | 49  | Director, Secretary, Chief Financial Officer, Chief Operating Officer |

The person named above has held his offices/positions since inception of our company and is expected to hold his offices/positions until the next annual meeting of our stockholders.

### Background of our Officers and Directors

Chi Ming Yu, Director and President, is Director of Operations at Titan Holdings, Inc. where his main responsibilities are in Administration, Company Finance and Investment, Marketing Research and Customer Relationship. From 2000 to 2003, Mr. Yu worked as a sales manager at Fu Feng LLC. From 2003 to present, Mr. Yu worked as Vice President at Titan Technology Development Ltd. Mr. Yu studied Computer Science at Rutgers University, New Jersey. Mr. Yu has extensive knowledge of the Company's product line, and is fluent in several languages, including English and Chinese. The Board concluded that Mr. Yu should serve as a Director due to his background in the Company's product line together with his communication skills

Hui Wang, Director and Chief Executive Officer, started her career at Hainan Xinte Pharmaceutical Ltd in China in 1990. She worked her way up from cashier to sales representative and then to sales manager. She then worked as District Manager of Southern China with Hainan Tianfeng Pharmaceutical Ltd, from 1995 to 2000 and as General Manager with Hainan Yichen Pharmaceutical Ltd. from 2001 to 2004. She is now the General Manager of Shenzhen Changhua. Ms. Wang has skills and experience in R&A, marketing and business development in Chinese medical

industry. The Board concluded that Hui Wang should serve as a Director due to her skills and experience in pharmaceutical sales and business development.

Kai Gui, Director, Secretary and Chief Financial Officer, worked as an Analyst Programmer in the British media industry, and as IT Manager, Circulation Manager, and Foreign Publishing Director at S.J.P. Ltd in London from 1994 to 2008. Beginning in 2000 Mr. Gui participated in several business projects involving Chinese publicly listed companies. He was the Director of China Feed Industry Association Information Centre's European Office. He is Vice President of Titan Technology Development Ltd. After graduating from the University of Westminster in London, Mr. Gui took a Post-graduate course in Financial Management at Middlesex University in London. The Board concluded that Kai Gui should serve as a Director due to his business experience and financial management skills.

### **Involvement in Certain Legal Proceedings**

To the best of our knowledge, none of our directors or executive officers, during the past ten years, has been involved in any legal proceeding of the type required to be disclosed under applicable SEC rules, including:

- Any petition under the Federal bankruptcy laws or any state insolvency law being filed by or against, or a receiver, fiscal agent or similar officer being appointed by a court for the business or property of such person, or any
1. partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
  2. Conviction in a criminal proceeding, or being a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

Being the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court  
3. of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:

- i. Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
- ii. Engaging in any type of business practice; or
- iii. Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

Being the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person  
4. to engage in any activity described in paragraph (3)(i) of this section, or to be associated with persons engaged in any such activity;

Being found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission to  
5. have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;

Being found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading  
6. Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

7. Being the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

i. Any Federal or State securities or commodities law or regulation; or

Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a  
ii. temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or

iii. Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

8. Being the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons

associated with a member.

### **Audit Committee and Charter**

We have a separately-designated audit committee of the board. Our board of directors performs audit committee functions. None of our directors are deemed independent. All directors also hold positions as our officers. Our audit committee is responsible for: (1) selection and oversight of our independent accountant; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; (3) establishing procedures for the confidential, anonymous submission by our employees of concerns regarding accounting and auditing matters; (4) engaging outside advisors; and, (5) funding for the outside auditors and any outside advisors engagement by the audit committee. A copy of our audit committee charter is filed as an exhibit to this report.

### **Audit Committee Financial Expert**

None of our directors or officers has the qualifications or experience to be considered a financial expert. We believe the cost related to retaining a financial expert at this time is prohibitive. Further, because of our limited operations, we believe the services of a financial expert are not warranted.

### **Code of Ethics**

We have adopted a corporate code of ethics. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code. A copy of the code of ethics is filed as an exhibit to this report.

### **Disclosure Committee and Charter**

We have a disclosure committee and disclosure committee charter. Our disclosure committee is comprised of all of our officers and directors. The purpose of the committee is to provide assistance to the Chief Executive Officer and the Chief Financial Officer in fulfilling their responsibilities regarding the identification and disclosure of material information about us and the accuracy, completeness and timeliness of our financial reports. A copy of the disclosure committee charter is filed as an exhibit to this report.



**ITEM 11. EXECUTIVE COMPENSATION**

The following table sets forth information with respect to compensation paid by the registrant to its officers during the last completed fiscal year ended October 31, 2018.

**Executive Officer Compensation Table**

| Name        | Fees<br>Earned<br>or<br>Paid in<br>Cash<br>(US\$) | Stock<br>Awards<br>(US\$) | Option<br>Awards<br>(US\$) | Non-Equity<br>Incentive Plan<br>Compensation<br>(US\$) | Nonqualified<br>Deferred<br>Compensation<br>Earnings<br>(US\$) | All Other<br>Compensation<br>(US\$) | Total<br>(US\$) |
|-------------|---|---------------------------|----------------------------|--|--|-------------------------------------|-----------------|
| (a)         | (b)   | (c)                       | (d)                        | (e)  | (f)  | (g)                                 | (h)             |
| Hui Wang    | \$36,770  | 0                         | 0                          | 0  | 0  | 0                                   | \$36,770        |
| Chi Ming Yu | 0   | 0                         | 0                          | 0  | 0  | 0                                   | 0               |
| Kai Gui     | 0   | 0                         | 0                          | 0  | 0  | 0                                   | 0               |

The following table sets forth information with respect to compensation paid by the registrant to its directors during the last completed fiscal year ended October 31, 2018.

**Director Compensation**

| Name        | Fees<br>Earned<br>or<br>Paid in<br>Cash<br>(US\$) | Stock<br>Awards<br>(US\$) | Option<br>Awards<br>(US\$) | Non-Equity<br>Incentive Plan<br>Compensation<br>(US\$) | Nonqualified<br>Deferred<br>Compensation<br>Earnings<br>(US\$) | All Other<br>Compensation<br>(US\$) | Total<br>(US\$) |
|-------------|---|---------------------------|----------------------------|--|--|-------------------------------------|-----------------|
| (a)         | (b)   | (c)                       | (d)                        | (e)  | (f)  | (g)                                 | (h)             |
| Hui Wang    | 0   | 0                         | 0                          | 0  | 0  | 0                                   | 0               |
| Chi Ming Yu | 0   | 21,100                    | 0                          | 0  | 0  | 0                                   | 21,100          |
| Kai Gui     | 0   | 31,650                    | 0                          | 0  | 0  | 0                                   | 31,650          |

All compensation received by our officers and directors has been disclosed.

There are no stock option, retirement, pension, or profit sharing plans for the benefit of our officers and directors.



### **Long-Term Incentive Plan Awards**

We do not have any long-term incentive plans that provide compensation intended to serve as incentive for performance.

### **Indemnification**

Under our Bylaws, we may indemnify an officer or director who is made a party to any proceeding, including a lawsuit, because of his position, if he acted in good faith and in a manner he reasonably believed to be in our best interest. We may advance expenses incurred in defending a proceeding. To the extent that the officer or director is successful on the merits in a proceeding as to which he is to be indemnified, we must indemnify him against all expenses incurred, including attorney's fees. With respect to a derivative action, indemnity may be made only for expenses actually and reasonably incurred in defending the proceeding, and if the officer or director is judged liable, only by a court order. The indemnification is intended to be to the fullest extent permitted by the laws of the State of Nevada.

Regarding indemnification for liabilities arising under the Securities Act of 1933, which may be permitted to directors or officers under Nevada law, we are informed that, in the opinion of the Securities and Exchange Commission, indemnification is against public policy, as expressed in the Act and is, therefore, unenforceable.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The registrant has no compensation plans (including individual compensation arrangements) under which equity securities of the registrant are authorized for issuance.

The following table sets forth, as of the date of this Annual Report on Form 10-K, the total number of shares owned beneficially by each of our directors, officers and key employees, individually and as a group, and the present owners of 5% or more of our total outstanding shares. The stockholders listed below have direct ownership of his/her shares and possess voting and dispositive power with respect to the shares.

| (1) Title of Class       | (2) Name and address of beneficial owner   | (3) Amount and nature of beneficial ownership | (4) Percent of class |
|--------------------------|--|---|----------------------|
| Common Stock             | Hui Wang, CEO & Director   | 22,153,540                                    | 31.818 %             |
| Common Stock             | Chi Ming Yu, President & Director  | 450,000                                       | 0.646 %              |
| Common Stock             | Kai Gui, Secretary & Director  | 750,000                                       | 1.077 %              |
| Common Stock             | Titan Technology Development, LTD.,<br>Room 1903 Hing Yip, Commercial Centre, 272<br>Des Voeux Road Central, Hong Kong, 718332 | 24,183,359                                    | 34.734 %             |
| All Officers & Directors |  | 23,353,540                                    | 33.541 %             |

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

As of October 31, 2018 and 2017, the Company owed \$718,808 and \$582,795 respectively to a stockholder – Titan Technology Development Limited, which is unsecured and repayable on demand. Interest is charged at 7% per annum on the amount owed.

As of October 31, 2018 and 2017, the Company owed \$1,715,840 and \$1,710,759 to Chi Fung Yu, \$2,344,849 and \$1,800,541 to Tie Jun Chen, \$36,040 and \$35,782 to Que Feng, \$228,842 and \$220,098 to Shenzhen Hygeian Medical Device Company, Limited., which are unsecured and repayable on demand. Interest is charged at 7% per annum on the amount owed.

Total interest expenses on advances from a stockholder accrued for the year ended October 31, 2018 and October 31, 2017 are \$42,884 and \$37,379 for Titan Technology Development Limited.

Total interest expenses on advances from following related parties accrued for the year ended October 31, 2018 and October 31, 2017 are \$98,431 and \$93,951 for Chi Fung Yu; \$128,680 and \$97,045 for Tie Jun Chen; \$2,133 and \$2,059 for Que Feng; \$14,628 and \$11,710 for Shenzhen Hygeian Medical Device Company.

As of October 31, 2018 and October 31, 2017, the Company owed the following amounts respectively to three directors for advances made - \$252,377 and \$298,818 to Wang Hui; \$20,930 and \$22,602 to Chi Ming Yu; \$567 and \$0 to Kai Gui. These advances were made on an unsecured basis, repayable on demand and interest free.

Imputed interest charged at 5% per annum on the amounts owed to the directors for the year ended October 31, 2018 and 2017 respectively is \$13,815 and \$15,623 for Wang Hui; \$0 and \$0 for Chi Ming Yu and Kai Gui.

## **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

### **(1) Audit Fees**

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for our audit of annual financial statements and review of financial statements included in our Form 10-Qs or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years was:

|      |          |                          |
|------|----------|--------------------------|
| 2018 | \$37,000 | Centurion ZD CPA Limited |
| 2017 | \$37,000 | Centurion ZD CPA Limited |

### **(2) Audit-Related Fees**

There is no fee billed in each of the last two fiscal years for assurance and related services by the principal accountants that are reasonably related to the performance of the audit or review of our financial statements and are not reported in the preceding paragraph.

### **(3) Tax Fees**

There is no fee billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning.

### **(4) All Other Fees**

There is no fee billed in each of the last two fiscal years for the products and services provided by the principal accountant, other than the services reported in paragraphs (1), (2), and (3).

**(5)** Our audit committee's pre-approval policies and procedures described in paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X were that the audit committee pre-approves all accounting related activities prior to the performance of any services by any accountant or auditor.

**(6)** There is no hour expended on the principal accountant's engagement to audit our financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full time and permanent employees was.

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

| Exhibit | Document Description  | Incorporated<br>by reference |          | Filed<br>herewith |
|---------|---|------------------------------|----------|-------------------|
|         |   | Form                         | Date     |                   |
| 3.1     | <u>Articles of Incorporation</u>  | SB-2                         | 01-16-07 | 3.1               |
| 3.2     | <u>Bylaws</u>   | SB-2                         | 01-16-07 | 3.2               |
| 4.1     | <u>Specimen Stock Certificate</u>   | SB-2                         | 01-16-07 | 4.1               |
| 10.1    | <u>Titan – ABMT Loan Agreement</u>  |                              |          | X                 |
| 14.1    | <u>Code of Ethics</u>   |                              |          | X                 |
| 31.1    | <u>Certification of Chief Executive Officer pursuant to 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.</u>           |                              |          | X                 |
| 31.2    | <u>Certification of Chief Financial Officer pursuant to 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.</u>           |                              |          | X                 |
| 32.1    | <u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)</u> |                              |          | X                 |
| 32.2    | <u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)</u> |                              |          | X                 |
| 99.1    | <u>Audit Committee Charter</u>  |                              |          | X                 |
| 99.2    | <u>Disclosure Committee Charter</u>   |                              |          | X                 |

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

### ADVANCED BIOMEDICAL TECHNOLOGIES, INC.

| <b>Signature</b>                             | <b>Title</b>   | <b>Date</b>              |
|--|--|--------------------------|
| <i>/s/ Chi Ming Yu</i><br><b>Chi Ming Yu</b> | <b>President and Director</b><br><b>(Principal Executive Officer)</b>                          | <b>February 13, 2019</b> |
| <i>/s/ Kai Gui</i><br><b>Kai Gui</b>         | <b>Director, Secretary and Chief Financial Officer</b><br><b>(Principal Financial Officer)</b> | <b>February 13, 2019</b> |
| <i>/s/ Hui Wang</i><br><b>Hui Wang</b>       | <b>Director and Chief Executive Officer</b><br><b>(Controller)</b>                             | <b>February 13, 2019</b> |

