

CHINA SXAN BIOTECH, INC.
Form 10-K/A
January 06, 2010

U. S. Securities and Exchange Commission
Washington, D. C. 20549

Amendment No.1 to FORM 10-K

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

For the year period ended June 30, 2008

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
]

For the transition period from _____ to _____

Commission File No. 0-27175

CHINA SXAN BIOTECH, INC.
(Exact name of registrant as specified in its Charter)

Nevada	95-4755369
(State of Other Jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)

Three-Kilometer Spot Along the Hayi Highway, Tieli City, Heilongjiang Province, P.R. China
(Address of Principal Executive Offices)
Issuer's Telephone Number: (86)-458-2386888

Securities Registered Pursuant to Section 12(g) of the Act: None.

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

Edgar Filing: CHINA SXAN BIOTECH, INC. - Form 10-K/A

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 were 19,542,572 shares of common stock outstanding as of November 14, 2008.

DOCUMENTS INCORPORATED BY REFERENCE: None

EXPLANATORY NOTE:

This Amendment No.1 10-K(the “Amended Filing”) to the Annual Report on Form 10-K for the quarter ended June 30, 2008 (the “Original Filing”) of China SXAN Biotech, Inc. (the “Company”) is filed to correct and briefly state the materially important physical properties of the Company in Item 2. as amended according to guidance of Item 2 of Regulation S-K. And describe the controls and procedures of the Company were effective in Item8A. Also, as amended, we filed a restated consolidated financial statements along with the amended notes to respond the Staffs comments regarding Item 7. Since we have made several changes to the Original Filing, in this amended filings we included all the disclosures required under Item 2, Item 8A and Item 7 of the Form 10-K. This Amended Filing also includes required certifications relating to the internal control over financial reporting of the Company, Exhibits 31.1 and 32.1 of the Original Filing.

This Form 10-K/A should be read in conjunction with the original Form 10-KSB, which continues to speak as of the date of the Form 10-KSB. Except as specifically noted above.

FORWARD-LOOKING STATEMENTS: NO ASSURANCES INTENDED

In addition to historical information, this Annual Report contains forward-looking statements, which are generally identifiable by use of the words “believes,” “expects,” “intends,” “anticipates,” “plans to,” “estimates,” “projects,” or similar expressions. These forward-looking statements represent Management’s belief as to the future of China Sxan Biotech. Whether those beliefs become reality will depend on many factors that are not under Management’s control. Many risks and uncertainties exist that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Factors That May Affect Future Results.” Readers are cautioned not to place undue reliance on these forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements.

PART 1

Item 2. Properties

Our operations are located on a plantation in the XiaoXing ‘an Mountain district, the location of the majority of China’s commercial forest frog production. Pursuant to a lease from the Province of Heilongjiang Tieli XiaoXingAnling has farming rights to a semi-wild area of 360,000 m², from which we harvest forest frogs. In addition, we have a land use permit from the Province of Heilongjiang to a parcel of 145,000 m², on which we have located our production facilities.

In addition to our Tieli plantation, we have also obtained from the Province of Heilongjiang a 40 year land use permit on a 5000 mu (@ 8,240 acres) parcel of forest land in Heli, which is approximately 250 km from Tieli. If we can obtain the necessary funds, we plan to develop a 5 million frog facility on the Heli property in 2008, in order to double our production capacity.

Feng Zhen Xing, the founder of Tieli XiaoXingAnling, acquired the several land use rights for a price of \$4,039,390 and contributed them to the Company. We are amortizing the land use rights at a rate of \$88,596 per year.

The real property described in this Item is sufficient for our purposes for the foreseeable future.

Item 8A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Company conducted an evaluation of the design and operation of our disclosure controls and procedures, as defined under Rule 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (the ‘Exchange Act’), as of the end of the period covered by this report. The Company’s disclosure controls and procedures are designed (i) to ensure that information required to be disclosed by it in the reports that it files or submits under the Exchange Act is recorded, processed and summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) to ensure that information required to be disclosed in the reports the Company files or submits under the Exchange Act is accumulated and communicated to its management, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In the course of making our assessment of the effectiveness of our disclosure controls and procedures, we identified a material weakness. This material weakness consisted of inadequate staffing and supervision within the bookkeeping and accounting operations of our company. The lack of employees prevents us from segregating

disclosure duties and has at times resulted in delayed disclosures. The inadequate staffing and lack of segregation of duties is a weakness because it has at times led to the untimely identification and resolution of accounting and disclosure matters and has at times led to a failure to perform timely and effective reviews. Based on the results of this assessment, our Chief Executive Officer and our Chief Financial Officer concluded that because of the above condition, our disclosure controls and procedures were not effective as of the end of the period covered by this report.

(b) Changes in internal controls.

The term “internal control over financial reporting” (defined in SEC Rule 13a-15(f)) refers to the process of a company that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company’s management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated any changes in the Company’s internal control over financial reporting that occurred during the fourth quarter of the year covered by this annual report, and they have concluded that there was no change to the Company’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

(c) Management’s Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. We have assessed the effectiveness of those internal controls as of June 30, 2008, using the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) Internal Control – Integrated Framework as a basis for our assessment.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

A material weakness in internal controls is a deficiency in internal control, or combination of control deficiencies, that adversely affects the Company’s ability to initiate, authorize, record, process, or report external financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a material misstatement of the Company’s annual or interim financial statements that is more than inconsequential will not be prevented or detected. In the course of making our assessment of the effectiveness of internal controls over financial reporting, we identified three material weaknesses in our internal control over financial reporting. These material weaknesses consisted of:

- a. Inadequate staffing and supervision within the accounting operations of our company. The relatively small number of employees who are responsible for accounting functions prevents us from segregating duties within our internal control system. The inadequate segregation of duties is a weakness because it could lead to the untimely identification and resolution of accounting and disclosure matters or could lead to a failure to perform timely and effective reviews.
- b. Lack of expertise in U.S accounting principles among the personnel in our Chinese headquarters. The employees of the Company who are responsible for preparation of our financial statements understand the basic bookkeeping and accounting procedures involved in preparing financial statements that conform to U. S. GAAP. What they lack, which constitutes the material weakness referred to, is experience sufficient to identify unfamiliar situations that require new accounting procedures. So when Tieli Xiao XingAnling first prepared financial statements for inclusion in the 8-K reporting its reverse merger into the Company, a significant number of adjustments were mandated by the auditors. Then, after the reverse merger, when they were first required to prepare consolidated financial statements,

they required guidance from the auditors regarding the treatment of equity after the reverse merger. Since then, the Company's operations have not changes in any material fashion, so no new accounting issues have arisen, and the Company's employees have been able to prepare the financial statements with only occasional guidance by the auditors.

3

Item 7. Financial Statement

Report of Independent Registered Public Accounting Firm

To the Board of Directors
China SXAN Biotech Inc.

We have audited the accompanying consolidated balance sheets of China SXAN Biotech Inc. as of June 30, 2008, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the Company's management.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American SXAN Biotech Inc. as of June 30, 2008, and the results of their operations and cash flows for the years ended June 30, 2008 and 2007 in conformity with accounting principles generally accepted in the United States of America.

/s/ Patrizio & Zhao, LLC

Parsippany, New Jersey

September 8, 2008

(Except for Note 1, 2, 12, 15 and 16 as to which
the date is December 2, 2009)

Consolidated Balance Sheets

	2008 (Restated)	2007 (Restated)
Assets:		
Current assets:		
Cash and cash equivalents	\$23,203	\$4,892
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$6,666 at June 30, 2008 and June 30, 2007, respectively	-	1,326,481
Inventory	2,076,016	1,332,469
Other receivables	1,163,854	678,344
Advances to suppliers	5,884,877	1,877,554
Prepaid expenses	385	151
Total current assets:	9,148,335	5,219,891
Property and equipment, net:	695,163	837,047
Other assets:		
Intangible assets, net	4,515,047	4,155,315
Total assets:	\$14,358,545	\$10,212,253
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable and accrued expenses	\$249,212	\$425,875
Income taxes payable	1,216,130	736,496
Due from shareholders	79,350	225,474
Other tax payable	126,362	-
Other payables	68,435	-
Total current liabilities:	1,739,489	1,387,848
Stockholders' equity:		
Series A convertible preferred stock, \$0.001 par value, 100,000,000 shares authorized, 27,011,477 shares issued and outstanding, respectively	27,011	27,011
Common stocks, \$0.001 par value, 100,000,000 shares authorized, 19,542,572 and 39,527,897 shares issued and outstanding at June 30, 2008 and 2007, respectively	19,543	39,528
Additional paid-in capital	4,466,731	4,600,841
Retained earnings	5,888,629	3,360,137
Statutory reserve	659,726	378,782
Accumulated other comprehensive income	1,557,416	418,109
Total stockholders' equity:	12,619,056	8,824,409
Total Liabilities and Stockholders' Equity:	\$14,358,545	\$10,212,253

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

5

Consolidated Statements of Operations and Comprehensive Income (Loss)

	2008 (Restated)	2007 (Restated)
Revenue:	\$12,587,579	\$5,535,608
Cost of goods sold:	7,830,672	2,207,496
Gross profit:	4,756,907	3,328,112
Selling, general and administrative:	1,455,800	510,288
Income from operations:	3,301,108	2,817,824
Other income (expense):		
Other income, net	378	13,065
Non-operation income	4,351	13,110
Interest income (expense), net	(618)	(743)
Total other income (expense):	4,111	25,432
Income before provision for income tax:	3,305,219	2,843,256
Provision for income tax:	495,783	434,007
Net income:	2,809,436	2,409,249
Other comprehensive income:		
Foreign currency translation adjustment	1,139,307	366,483
Comprehensive income:	\$3,948,743	\$2,775,732
Earnings per share:		
Basic	\$0.22	\$3.11
Diluted	\$0.14	\$1.85
Weighted average number of common shares outstanding:		
Basic	12,909,427	775,056
Diluted	20,072,209	1,304,692

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

Consolidated Statements of Stockholders' Equity

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional		
	Shares	Amount	Shares	Amount	Shares	Amount	Paid in Capital	Statutory Reserve	Retained Earnings
Balance at June 30, 2006	27,588,477	\$27,588	-	\$-	39,527,897	\$39,528	\$4,300,064	\$137,857	\$1,191,8
Preferred series A stock issued in connection with financing	(577,000)	(577)	-	-	-	-	577	-	-
Contribution of capital	-	-	-	-	-	-	300,200	-	-
Net income	-	-	-	-	-	-	-	-	2,409,2
Statutory reserve	-	-	-	-	-	-	-	240,925	(240,92
Other comprehensive income	-	-	-	-	-	-	-	-	-
Balance at June 30, 2007	27,011,477	\$27,011	-	\$-	39,527,897	\$39,528	\$4,600,841	\$378,782	\$3,360,13
Common stock issued in									
recapitalization	-	-	-	-	57,143,302	57,143	(211,238)	-	-
Series B preferred stock issued in recapitalization	-	-	100,000	100	-	-	(100)	-	-
Common stock reverse split 1:51	-	-	-	-	(94,775,686)	(94,775)	94,775	-	-

Series B
preferred stock

converted to common stock	-	-	(100,000)	(100)	17,647,059	17,647	(17,547)	-	-
Net income	-	-	-	-	-	-	-	-	2,809,421
Statutory reserve	-	-	-	-	-	-	-	280,944	(280,944)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Balance at June 30, 2008	27,011,477	\$27,011	-	\$-	19,542,572	\$19,543	\$4,466,731	\$659,726	\$5,888,621

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

Consolidated Statements of Cash Flows

	2008	2007
	(Restated)	(Restated)
Cash flows from operating activities:		
Net Income	\$2,809,436	\$2,409,249
Adjustments to reconcile net income to net cash		
Provided (used) by operating activities:		
Depreciation	246,343	193,485
Amortization	93,998	83,016
Provision for bad debts	-	6,493
Changes in assets and liabilities:		
Accounts receivable	1,458,528	(1,298,576)
Other receivables	(407,525)	(120,482)
Inventory	(589,483)	(614,197)
Advances to suppliers	(3,749,866)	(1,828,866)
Prepaid expenses	165	462
Accounts payable and accrued expenses	(227,198)	340,380
Income taxes payable	393,541	544,944
Other taxes payable	124,638	-
Other payables	(27,795)	-
Total adjustments:	(2,684,654)	(2,693,341)
Net cash used by operating activities:	124,782	(284,092)
Cash flows from investing activities		
Acquisition of property and equipment	(15,439)	(85,101)
Net cash used by investing activities:	(15,439)	(85,101)
Cash flows from financing activities:		
Proceeds from sale of common stock	-	303,773
Proceeds (repayments) of stockholders' loans	(220,848)	67,340
Net cash provided by financing activities:	(220,848)	371,113
Effect of foreign currency translation on cash:	129,816	189
Net increase in cash and cash equivalents:	18,311	2,109
Cash and cash equivalents – beginning:	4,892	2,783
Cash and cash equivalents – ending:	\$23,203	\$4,892

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

CHINA SXAN BIOTECH INC.

Notes to Consolidated Financial Statements

June 30, 2008 and 2007

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

China SXAN Biotech, Inc. (the “Company”, formerly Advance Technologies, Inc.), a Nevada corporation, was incorporated on June 16, 1969. On July 10, 2007, the Company acquired the outstanding capital stock of American SXAN Biotech, Inc., a Delaware corporation (“American SXAN”). The Company is engaged in the business of manufacturing and marketing wines and tonics derived from domesticated forest frogs.

The Company was organized under the laws of the State of Delaware under the name PWB Industries, Inc.; the articles of incorporation were issued June 16, 1969. The name was changed to Sun Energy, Inc., which merged with Sto Med, Inc. on February 22, 1996 and changed its name to Sto Med, Inc. and domicile to the State of Nevada. Sto Med Inc. changed its name to Advance Technologies, Inc. on August 23, 1997. On September 27, 1999 the Company acquired Seacrest Industries of Nevada, also known as Infrared Systems International. On September 4, 2007 the name of the Company was changed to China SXAN Biotech, Inc.

On October 31, 2006 the Board of Directors of Tieli Xiaoxinganling Forest Frog Breeding Co., Ltd. (“Tieli”) unanimously approved the acquisition of Tieli by American SXAN. In exchange for the transfer of 100% of Tieli to American SXAN, American SXAN agreed to issue a promissory note in the principal amount of \$1,000,000 to Tieli and the shareholders of American SXAN agreed that, upon the merge of American SXAN into a public company, they would assign 80% of the outstanding shares of the public company to the prior owners of Tieli. The transaction was treated as a reverse merger as American SXAN was a holding company with no significant operations and Tieli continues as the primary operating entity after the transaction.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the parent company and the subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

CASH AND CASH EQUIVALENTS

In accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," the Company considers all highly liquid instruments with original maturities of three months or less to be cash and cash equivalents.

ACCOUNTS RECEIVABLE

During the year ended June 30, 2008 all sales by the Company were made on a cash-on-delivery basis. Accordingly, the Company did not have any accounts receivable. In addition, the Company does not provide customers a right of return or other similar allowances, and accordingly has not recorded any reserve for returns.

During the year ended June 30, 2007, the Company's sales terms allowed for payments to be made for up to one year. Management reviewed customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the need for reserves. Allowance for doubtful accounts amounted to \$6,666 at June 30, 2007.

INVENTORY

Inventories are stated at the lower of cost or net realizable value. Cost is calculated on the weighted-average basis and includes all costs to acquire and other costs incurred in bringing the inventories to their present location and condition. We evaluate the net realizable value of our inventories on a regular basis and record a provision for loss to reduce the computed weighted-average cost if it exceeds the net realizable value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and depreciation is provided using the straight-line method, less a base salvage value of 4% of the assets' stated cost, between 5 to 10 years. The carrying value of long-lived assets is evaluated whenever changes in circumstances indicate the carrying amount of such assets may not be recoverable. If necessary, the Company recognizes an impairment loss for the difference between the carrying amount of the assets and their estimated fair value. Fair value is based upon current and anticipated future undiscounted cash flows. Expenditures for maintenance and repairs are charged to operations as incurred; additions, renewals and betterments are capitalized. Based upon its most recent analysis, the Company believes that no impairment of property and equipment exists for the year ended June 30, 2007.

VALUATION OF LONG-LIVED ASSETS

The Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. Per SFAS 144, the Company is required to periodically evaluate the carrying value of long-lived assets and to record an impairment loss when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts.

In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal. Based on its review, the Company is of the opinion that as of June 30, 2008 there were no significant impairments of its long-lived assets.

REVENUE RECOGNITION

The Company recognizes revenue at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the company exist and collectibility is reasonably assured.

ADVERTISING COSTS

The Company expenses the cost of advertising as incurred. Advertising costs for the years ended June 30, 2008 and 2007 were insignificant.

INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided to reduce the carrying amount of deferred tax assets if it is considered more likely than not that some portion, or all, of the deferred tax assets will not be realized. No differences were noted between the book and tax bases of the Company's assets and liabilities, respectively. Therefore, there are no deferred tax assets or liabilities for the years ended June 30, 2007 and 2008. The standard corporate income tax rate decreased from 33% to 25%

beginning on January 1, 2008, when the new Chinese tax law became effective.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company considers the carrying amounts reported in the balance sheet for current assets and current liabilities qualifying as financial instruments and approximating fair value.

FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

The financial position and results of operations of the Company's foreign subsidiaries are determined using local currency (Chinese Yuan) as the functional currency. Assets and liabilities of the subsidiaries are translated at the prevailing exchange rate in effect at each year end. Contributed capital accounts are translated using the historical rate of exchange when capital is injected. Income statement accounts are translated at the average rate of exchange during the year. Translation adjustments arising from the use of different exchange rates from period to period are included in the cumulative translation adjustment account in shareholders' equity. Gains and losses resulting from foreign currency transactions are included in operations.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

NOTE 3 – OTHER RECEIVABLES

Other receivables represent advances made to third parties for non-operating purposes. They are unsecured and non-interest bearing. Management is of the opinion that the reported amounts will be fully collected and therefore, no allowance is deemed necessary.

NOTE 4 – INVENTORY

Inventory at June 30, 2008 and 2007 consisted of the following:

	2008	2007
Food for frogs	\$28,049	\$148,834
Food for pigs	29,541	50,266
Frogs in process	305,259	86,125
Pigs in process	278,499	122,502
Packaging supplies	-	260,107
Finished goods	1,434,668	664,635
Total	\$2,076,016	\$1,332,469

NOTE 5 – ADVANCES TO SUPPLIERS

As a common business practice in China, the Company is required to make advance payments to certain suppliers for purchase of raw material. Such advances are interest-free and unsecured.

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2008 and 2007 consisted of the following:

	2008	2007
Buildings	\$1,234,117	\$1,280,322
Equipment	254,444	46,058
Breeding livestock	1,223	1,176
Construction in progress	9,705	9,331
	1,499,489	1,336,887
Less: accumulated depreciation	804,326	459,840
Total	\$695,163	\$4,837,047

Depreciation expense for the years ended June 30, 2008 and 2007 was \$246,343 and \$193,485, respectively.

NOTE 7 – INTANGIBLE ASSETS, NET

Net intangible assets at June 30, 2008 and 2007 were as follows:

Rights to use land	\$4,707,245
Less: accumulated amortization	(168,853)
Total	\$4,538,391

The Company's office and production sites are located in Tieli City and Jiamusi City, Heilongjiang Province, PRC. The Company leases land per a real estate contract with the government of the People's Republic of China for a period from 2003 through 2057. Per the People's Republic of China's governmental regulations, the Government owns all land.

The Company has recognized the amounts paid by a shareholder for the acquisition of rights to use land as an intangible asset (“Rights to use land”) and a non-cash capital contribution. The Company is amortizing the asset over a period of fifty (50) years.

Amortization expense for the Company’s intangible assets for the years ended June 30, 2008 and 2007 amounted to \$70,793 and \$83,016, respectively.

The following is a list of approximate amortization expense for the Company’s intangible assets over their useful lives:

	\$88,596
2009	88,596
2010	88,596
2011	88,596
2012	88,596
2013 and thereafter	4,095,411
Total	\$4,538,391

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The carrying value of accounts payable and accrued expenses approximate fair value due to the short-term nature of the obligations.

NOTE 9– DUE TO STOCKHOLDERS

Loans from stockholders are short-term in nature, unsecured and non-interest bearing.

12

NOTE 10– SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid for interest was \$618 and \$743 and \$0 and \$434,00 for income taxes during the years ended June 30, 2008 and 2007, respectively.

NOTE 11 – EMPLOYEE WELFARE PLAN

The Company has established an employee welfare plan in accordance with Chinese law and regulations. The Company makes annual contributions of 14% of all employees' salaries to the employee welfare plan.

NOTE 12– STATUTORY RESERVE

Under PRC law, the Company's subsidiaries in PRC are required to set aside 10% of its net income each year to fund a designated statutory reserve fund until such funds reach 50% of registered share capital. These reserves are not distributable as cash dividends. At June 30, 2008 and 2007, the balances for statutory reserve were \$659,726 and \$378,782, respectively.

NOTE 13 – RISK FACTORS

Five major customers accounted for approximately 70% of the net revenue for the year ended June 30, 2008 and four major customers accounted for approximately 68% of the net revenue for the year ended June 30, 2007.

The Company's operations are carried out in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC as well as by the general state of the PRC's economy. The Company's business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to credit risk consist principally of cash on deposit with a financial institution of \$23,203.

NOTE 15 – INCOME TAX

China SXAN and Amercian SXAN being incorporated in the State of Nevada and Delaware respectively, and conduct all of its business through its Chinese subsidiary and its affiliated Chinese operating company. All business is conducted in PRC. As the U.S. holding company has not recorded any income for the years ended June 30, 2008 and 2007, there was no provision or benefit for U.S. income tax purpose.

On March 16, 2007, the National People's Congress of China approved the Corporate Income Tax Law of the PRC (the New CIT Law), which is effective from January 1, 2008. Under the new law, the corporate income tax rate applicable to all Companies, both domestic and foreign-invested companies, is 25%, replacing the previous applicable tax rate of 33%.

The Company's Chinese subsidiary and affiliated operating company - Tieli based in China are governed by the Income Tax Law of the PRC concerning the private-run enterprises, which are generally subject to tax at a rate of 15% of net income. Given Tieli is doing business in the husbandry industry, Tieli is allowed to delay paying income taxes. All income taxes since its inception have been accrued. Income tax for the year ended June 30, 2008 and 2007

was \$495,783 and \$434,007, respectively.

NOTE 16 – RESTATEMENTS

The effect of restatement is as follows:

CONSOLIDATED BALANCE SHEETS

	ASSETS		
	As Reported June 30, 2008	As Restated June 30, 2008	Effect of Changes
CURRENT ASSETS			
Cash and cash equivalents	\$23,203	\$23,203	\$-
Accounts receivable	-	-	-
Inventory	2,076,016	2,076,016	-
Other receivables	1,163,854	1,163,854	-
Advances to suppliers	5,884,877	5,884,877	-
Prepaid expenses	385	385	-
Total Current Assets	9,148,335	9,148,335	-
PROPERTY AND EQUIPMENT, NET	695,163	695,163	-
OTHER ASSETS			
Intangible assets, net	4,515,047	4,515,047	-
Total Assets	\$14,358,545	\$14,358,545	\$-
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$249,212	\$249,212	\$-
Income taxes payable	1,216,130	1,216,130	-
Due from stockholders	79,350	79,350	-
Other tax payable	126,362	126,362	-
Other payables	68,435	68,435	-
Total Current Liabilities	1,739,489	1,739,489	-
STOCKHOLDERS' EQUITY			
Series A convertible preferred stock, \$0.001 par value, 100,000,000 shares authorized, 27,011,477 shares issued and outstanding, respectively	27,011	27,011	-
Common stock, \$0.001 par value, 100,000,000 shares authorized, 19,542,572 shares issued and outstanding	19,543	19,543	-
Additional paid-in capital	4,466,731	4,466,731	-
Retained earnings	6,169,574	5,888,629	(280,945)
Statutory reserve	378,782	659,726	280,944
Accumulated other comprehensive income	1,557,416	1,557,415	1
Total Stockholders' Equity	12,619,056	12,619,056	-
Total Liabilities and Stockholders' Equity	\$14,358,545	\$14,358,545	\$-

NOTE 16 – RESTATEMENTS (Continued)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	As Reported For the Year Ended June 30, 2008	As Restated For the Year Ended June 30, 2008	Effect of Changes
REVENUE	\$12,587,579	\$12,587,579	\$-
COST OF GOODS SOLD	7,830,672	7,830,672	-
GROSS PROFIT	4,756,907	4,756,907	-
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,455,800	1,455,800	
INCOME FROM OPERATIONS	3,301,108	3,301,108	-
OTHER INCOME (EXPENSE)			
Other income (expense), net	378	378	
Non-operation income	4,351	4,351	-
Interest income (expense), net	(618)	(618)	-
Total Other Income (Expense)	4,111	4,111	-
INCOME BEFORE PROVISION FOR INCOME TAX	3,305,219	3,305,219	
PROVISION FOR INCOME TAXES	495,783	495,783	-
NET INCOME	2,809,436	2,809,436	-
OTHER COMPREHENSIVE INCOME			
Foreign currency translation adjustment	1,139,307	1,139,307	-
COMPREHENSIVE INCOME	\$3,948,743	\$3,948,743	\$-
EARNINGS PER SHARE			
Basic	\$0.14	\$0.22	\$0.08
Diluted	\$0.14	\$0.14	\$-
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	20,072,209	12,909,427	7,162,782
Diluted	20,072,209	20,072,209	-

NOTE 16 – RESTATEMENTS (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	As Reported	As Restated	
	For the Year	For the Year	
	Ended	Ended	
	June 30, 2008	June 30, 2008	Effect of Changes
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$2,809,436	\$2,809,436	\$-
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation	246,343	246,343	-
Amortization	93,998	93,998	-
Intangible assets			
Non-cash capital contribution			
Bad debt expense			-
Changes in assets and liabilities:			
Accounts receivable	1,458,528	1,458,528	-
Other receivables	(407,525)	(407,525)	-
Inventory	(589,483)	(589,483)	-
Advances to suppliers	(3,749,866)	(3,749,866)	-
Prepaid expenses	165	165	-
Accounts payable and accrued expenses	(227,198)	(227,198)	-
Income tax payable	393,541	393,541	-
Other taxes payable	124,638	124,638	-
Other payables	(27,795)	(27,795)	-
Total Adjustments	(2,684,654)	(2,684,654)	-
Net Cash Provided by Operating Activities	124,782	124,782	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	(15,439)	(15,439)	-
Net Cash Used by Investing Activities	(15,439)	(15,439)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of common stock	-	-	-
Proceeds (repayments) of shareholders' loans	(220,848)	(220,848)	-
Net Cash Provided by Financing Activities	(220,848)	(220,848)	-
EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH	129,816	129,816	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,311	18,311	-

CASH AND CASH EQUIVALENTS - BEGINNING	4,892	4,892	-
CASH AND CASH EQUIVALENTS - ENDING	\$23,203	\$23,203	\$-

NOTE 17 - SUBSEQUENT EVENTS

Not applicable

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

China Sxan Biotech, Inc.

By:	/s/Feng Zhen Xing
Name	Feng Zhen Xing
Title:	Chief Executive Officer and President

In accordance with the Exchange Act, this Amended Report has been signed below on January 6, 2010, by the following persons, on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Feng Zhen Xing
Feng Zheng Xing
Chief Executive Officer and Chief Financial Officer

