

CHAMPIONS BIOTECHNOLOGY, INC.  
Form 10QSB  
March 06, 2008

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

Mark One

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

For the quarterly period ended January 31, 2008

OR

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

For the transition period from to

Commission file number 0-17263

**CHAMPIONS BIOTECHNOLOGY, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
organization)

52-1401755  
(I.R.S. Employer  
Identification No.)

2200 Wilson Blvd., Suite 102-316, Arlington VA 22201  
(Address of principal executive offices)  
(Zip code)

(703) 526-0400  
(Registrant's telephone number, including area code)

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

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

As of February 27, 2008 the Registrant had a total of 31,794,146 shares of common stock outstanding.

Transitional Small Business Disclosure Format (check one): Yes  No

**CHAMPIONS BIOTECHNOLOGY, INC.**  
**FORM 10-QSB**

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**CHAMPIONS BIOTECHNOLOGY, INC. AND SUBSIDIARIES  
(FORMERLY CHAMPIONS SPORTS, INC. AND SUBSIDIARIES)  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JANUARY 31, 2008 AND 2007 (UNAUDITED)**

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**CHAMPIONS BIOTECHNOLOGY, INC. AND SUBSIDIARIES  
(FORMERLY CHAMPIONS SPORTS, INC. AND SUBSIDIARIES)  
INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JANUARY 31, 2008 AND 2007 (UNAUDITED)**

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**CHAMPIONS BIOTECHNOLOGY, INC. AND SUBSIDIARIES**  
**(FORMERLY CHAMPIONS SPORTS, INC. AND SUBSIDIARIES)**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS OF JANUARY 31, 2008 (UNAUDITED)**

**ASSETS****CURRENT ASSETS**

Cash and cash equivalents	\$ 1,072,453
Supplies	47,466

<b>Total Current Assets</b>	1,119,919
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Intangibles assets	191,745
Goodwill	661,909

<b>TOTAL ASSETS</b>	<b>\$ 1,973,573</b>
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**LIABILITIES AND STOCKHOLDERS' EQUITY****CURRENT LIABILITIES**

Accounts payable	\$ 111,778
Other accrued expenses	351,394

<b>Total current liabilities</b>	<b>463,172</b>
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**COMMITMENTS AND CONTINGENCIES****STOCKHOLDERS' EQUITY**

Common stock, \$.001 par value; 50,000,000 shares authorized; 31,794,146 shares issued and outstanding	31,794
Additional paid-in capital	8,526,789
Accumulated deficit	<b>(6,630,234)</b>
	1,928,349
Less: prepaid consulting	<b>(417,948)</b>
Total stockholders' equity	1,510,401

<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,973,573</b>
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The accompanying notes are an integral part of these condensed consolidated financial statements

**CHAMPIONS BIOTECHNOLOGY, INC. AND SUBSIDIARIES**  
**(FORMERLY CHAMPIONS SPORTS, INC. AND SUBSIDIARIES)**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE NINE MONTHS AND THREE MONTHS ENDED JANUARY 31, 2008 AND 2007 (UNAUDITED)**

	Nine Months Ended January 31		Three Months Ended January 31	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUE</b>				
Services	\$ 1,174,940	\$ -	\$ 924,940	\$ -
<b>Total operating revenue</b>	<b>1,174,940</b>	<b>-</b>	<b>924,940</b>	<b>-</b>
<b>COSTS AND OPERATING EXPENSES</b>				
Service expenses	264,262	-	201,222	-
Supplies	75,000	-	-	-
General and administrative	377,724	74,086	118,776	37,198
<b>Total costs and operating expenses</b>	<b>716,986</b>	<b>74,086</b>	<b>319,998</b>	<b>37,198</b>
<b>INCOME (LOSS) BEFORE OTHER INCOME</b>	<b>457,954</b>	<b>(74,086)</b>	<b>604,942</b>	<b>(37,198)</b>
Other income				
Interest income	16,057	-	6,064	-
<b>Total other income</b>	<b>16,057</b>	<b>-</b>	<b>6,064</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES</b>	<b>474,011</b>	<b>(74,086)</b>	<b>611,006</b>	<b>(37,198)</b>
Provision for income taxes	-	-	-	-
<b>NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 474,011</b>	<b>\$ (74,086)</b>	<b>\$ 611,006</b>	<b>\$ (37,198)</b>
<b>BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE</b>	<b>\$ 0.02</b>	<b>\$ (0.00)</b>	<b>\$ 0.02</b>	<b>\$ (0.00)</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING (BASIC)</b>	<b>31,386,454</b>	<b>20,489,493</b>	<b>31,692,654</b>	<b>18,091,931</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING (DILUTED)</b>	<b>32,468,344</b>	<b>-</b>	<b>32,774,544</b>	<b>-</b>

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

**CHAMPIONS BIOTECHNOLOGY, INC. AND SUBSIDIARIES  
(FORMERLY CHAMPIONS SPORTS, INC. AND SUBSIDIARIES)  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED JANUARY 31, 2008 AND 2007 (UNAUDITED)**

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 474,011	\$ (74,086)
<b>Adjustments to reconcile net (loss) to net cash</b>		
<b>Provided by (used in) operating activities:</b>		
(Increase) in supplies	(47,466)	-
Increase (decrease) in accounts payable	61,268	(11,589)
Increase (decrease) in other accrued expenses	15,743	24,221
Amortization of prepaid consulting services	108,950	-
Total adjustments	138,495	12,632
<b>Net cash provided by (used in) operating activities</b>	<b>612,506</b>	<b>(61,454)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Payment of) proceeds from officers loan	(43,693)	43,693
Proceeds from sale of restricted common stock	28,505	38,000
<b>Net cash provided by (used in) financing activities</b>	<b>(15,188)</b>	<b>81,693</b>
<b>NET INCREASE IN CASH AND</b>		
<b>CASH EQUIVALENTS</b>	<b>597,318</b>	<b>20,239</b>
<b>CASH AND CASH EQUIVALENTS -</b>		
<b>BEGINNING OF PERIOD</b>	<b>475,135</b>	<b>540</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 1,072,453</b>	<b>\$20,779</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest paid	\$ -	\$ 2,277
Income taxes paid	\$ -	\$ -
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH FLOW INVESTING AND FINANCING ACTIVITIES:</b>		
In January 2007, the Company issued 340,000 stock options for prepaid consulting services valued at \$44,184.		

In May 2007, the Company issued 525,000 stock-options for prepaid consulting services valued at \$157,473.

In May 2007, the Company issued 4,000,000 shares for 100% of the shares of Biomerk, Inc.

In October 2007, the Company issued 500,000 stock options for prepaid consulting services valued at \$336,287.

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

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**CHAMPIONS BIOTECHNOLOGY, INC. AND SUBSIDIARIES  
(FORMERLY CHAMPIONS SPORTS, INC. AND SUBSIDIARIES)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JANUARY 31, 2008 AND 2007 (UNAUDITED)**

**NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION**

Champions Biotechnology, Inc., (the "Company") is a biotechnology company that is engaged in the development of advanced preclinical platforms and predictive tumor specific data to enhance and accelerate the value of oncology drugs for companies and physicians. The Company was incorporated under the laws of the State of Delaware in June 1985 as a merger and acquisition company under the name "International Group, Inc." In September 1985, the Company completed a public offering, and in January 1986, acquired the world-wide rights to the Champions sports theme restaurant concept and subsequently changed its name to "Champions Sports, Inc." In 1997, the Company sold its Champions service mark and concept for sports themed restaurants to Marriott International, Inc. and since then until January 2007, had been seeking a new business direction. In January 2007, the Company changed its name to Champions Biotechnology, Inc. to reflect the decision of the Company to focus on biotechnology. In May 2007, the Company acquired Biomerk, Inc., a privately owned company focused on generating a novel preclinical platform of human cancer tumor immune-deficient mice xenografts (Biomerk Tumorgrafts™).

The condensed unaudited interim consolidated financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated financial statements and notes are presented as permitted on Form 10-QSB and do not contain information included in the Company's annual statements and notes. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the April 30, 2007 audited consolidated financial statements and the accompanying notes thereto. While management believes the procedures followed in preparing these condensed consolidated financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

These condensed unaudited consolidated financial statements reflect all adjustments, including normal recurring adjustments, which, in the opinion of management, are necessary to present fairly the operations and cash flows for the period presented.

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**CHAMPIONS BIOTECHNOLOGY, INC. AND SUBSIDIARIES**  
**(FORMERLY CHAMPIONS SPORTS, INC. AND SUBSIDIARIES)**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JANUARY 31, 2008 AND 2007 (UNAUDITED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions have been eliminated in consolidation.

**Goodwill and Other Intangible Assets**

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 142 "Goodwill and Other Intangible Assets". This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "Intangible Assets". It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements.

**Intangible Assets**

Intangible assets represent costs incurred for patent applications. The costs incurred were valued at the fair value of the stock at the time of issuance. The Company will establish its estimated useful life upon approval of the application, which will begin the period of amortization of its cost. The Company will estimate the fair value of this asset annually.

**Accounting for Acquisition**

The Company has accounted for its acquisition under the purchase method of accounting for business combinations. Under the purchase method of accounting, the cost, including transaction costs, are allocated to the underlying net assets, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

**Impairment of Goodwill and Other Intangible Assets**

Goodwill and other intangible assets are tested annually for impairment and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. The Company assesses the recoverability of its goodwill and other intangible assets by comparing the projected undiscounted net cash flows associated with the related asset, over the remaining lives, in comparison to their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets.

**Use of Estimates**

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



**CHAMPIONS BIOTECHNOLOGY, INC. AND SUBSIDIARIES**  
**(FORMERLY CHAMPIONS SPORTS, INC. AND SUBSIDIARIES)**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JANUARY 31, 2008 AND 2007 (UNAUDITED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Net Loss Per Share**

Historical net loss per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share (EPS) include additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents were not included in the computation of diluted earnings per share for the nine months ended January 31, 2007 when the Company reported a loss because to do so would have been antidilutive.

The following is a reconciliation of the computation for basic and diluted EPS:

	January 31, 2008	January 31, 2007
Net income (loss)	\$ 474,011	\$ (74,086)
Weighted-average common shares outstanding (basic)	31,386,454	20,489,493
Weighted-average common stock equivalents		
Stock options	439,835	-
Warrants	642,055	-
Weighted-average common shares outstanding (diluted)	32,468,344	20,489,493

**CHAMPIONS BIOTECHNOLOGY, INC. AND SUBSIDIARIES**  
**(FORMERLY CHAMPIONS SPORTS, INC. AND SUBSIDIARIES)**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JANUARY 31, 2008 AND 2007 (UNAUDITED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Cash and Cash Equivalents**

For purposes of the condensed consolidated statements of cash flow, the Company considers all highly liquid debt instruments purchased with a

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maturity of three months or less, unless restricted as to use, to be cash equivalents. At various times throughout the years the Company had amounts on deposit at financial institutions in excess of federally insured limits.

### **Income Taxes**

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 109 (the Statement), Accounting for Income Taxes. The Statement requires an asset and liability approach for financial accounting and reporting for income taxes, and the recognition of deferred tax assets and liabilities for the temporary differences between the financial reporting bases and tax bases of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled.

### **Fair Value of Financial Instruments**

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts payable, and accrued expenses, officer loans payable approximate fair values because of the short maturities of these instruments.

### **Stock-Based Compensation**

Employee stock awards under the Company's compensation plans are accounted for in accordance with Statement of Financial Accounting Standards No. 123 (Revised 2004), "*Share-Based Payment*" ("SFAS 123R"). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS 123R, as amended, are effective for small business issuers beginning as of the next fiscal year after December 15, 2005. Accordingly, the Company implemented the revised standard in the first quarter of fiscal year 2007.