

CHINA SXAN BIOTECH, INC.  
Form 10-K  
October 13, 2009

U. S. 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 period ended June 30, 2009

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  
(State of Other Jurisdiction of incorporation or organization)

95-4755369  
(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 office)

Issuer's Telephone Number: (86)-458-2386888

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 406 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 disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) 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

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Non-accelerated filer  Accelerated filer  Smaller reporting company

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 December 31, 2008, the aggregate market value of the common stock held by non-affiliates was approximately \$86,851, based upon the closing sale price on December 31, 2008 of \$.02 per share.

The number of shares outstanding of the issuer's common stock, as of October 6, 2009, was 19,919,795.

Documents incorporated by reference: NONE

---

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 “Risk Factorss.” 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 1. BUSINESS

American SXAN Biotech, Inc.

American SXAN Biotech, Inc. was organized under the laws of the State of Delaware in 2006. It never initiated any business activity. In October 2006 American SXAN acquired 100% of the registered capital stock of Tieli XiaoXingAnling in exchange for equity in American SXAN. Those shares represent the only asset of American SXAN. On September 4, 2007, the Company changed its name to China Sxan Biotech, Inc.

Tieli XiaoXingAnling Forest Frog Breeding Co., Ltd.

Tieli XiaoXingAnling was organized in 2003 in the City of Tieli, which is in the Heilongjiang Province in northeast China. Tieli XiaoXingAnling is engaged in the business of breeding forest frogs, which are also known as snow frogs or winter frogs, since they are traditionally harvested just prior to their winter hibernation in order to maximize the frog’s fat content. Tieli XiaoXingAnling has obtained patents from the government of China to produce therapeutic wines and tonics from its forest frogs. Tieli XiaoXingAnling has been marketing its forest frog products since 2004 under the brand “Xiao Xing’an Mountain.”

The desirable portion of the Chinese forest frog, known as “hasma,” is a combination of the frog’s ovaries and surrounding fatty tissues. Throughout Chinese history, hasma has been used to treat respiratory problems such as coughing, hemoptysis (expectoration of blood), and night sweats attributable to tuberculosis. Many Chinese residents also believe that forest frog hasma improves immune function, aids in the treatment of neurasthenia, and slows aging.

Today, however, the forest frog is classified as an endangered species in China. Commercial harvesting of forest frogs in the wild is prohibited by national regulations. To meet the continuing demand for hasma, therefore, a domestic forest frog breeding industry has developed. The mission of Tieli XiaoXingAnling is to become the leader in this industry.

Products

In its first two years of operations, Tieli XiaoXingAnling concentrated on the breeding of forest frogs and sale of hasma. However, the forest frog harvesting season lasts only two months – October and November. Our concentration, therefore, led to extremely cyclical cash flow. To alleviate that situation, in 2006 we began to market

products enriched with forest frog hasma. This will provide us a more even level of business operations through the year.

Our product lines consisted of:

Forest frog hasma. We choose the highest grade of our forest frog hasma, package it carefully, and sell it directly to food markets.

Forest frog sanitarium liquor. There is a long tradition in China of “medicated wine,” including wine designed to provide the health benefits of forest frogs. Recently, however, forest frog wine was often produced by soaking forest frog meat in liquor – a process that provides none of the health benefits of the forest frog. With the cooperation of the Tieli City Forest Frog Research Institute, we have obtained a national patent covering an effective method of producing forest frog liquor. Our technology involves extracting the beneficial elements from the hasma, then dissolving them in fine sorghum liquor.

Pigs. In order to produce the maggots that are an essential part of the forest frog diet, we built a hogpen.

During the fiscal year ended June 30, 2009, we suspended operations. Rising costs, particularly the rising cost of grain in China, made it apparent to management that our business plan would not produce a profitable business. So today management is exploring means of utilizing our land and production equipment to participate in the forest frog industry in a profitable manner

- 2 -

---

## Production

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. Tieli XiaoXingAnling has farming rights to a semi-wild area of 360,000 m<sup>2</sup>, from which we harvest forest frogs under a permit from the Province of Heilongjiang. In addition, we have ownership rights to a parcel of 145,000 m<sup>2</sup>, on which we have located the following facilities:

- 111 open pens, covering 50,000 m<sup>2</sup>;
- solar greenhouse (6,000 m<sup>2</sup>);
- maggot breeding workshop (1,500 m<sup>2</sup>);
- tenebrio Molitor Worm breeding workshop (400 m<sup>2</sup>);
- frog oil production line (800 m<sup>2</sup>);
- frog liquor production line; and
- associated farm facilities (e.g. water purification plant, winter pool, storage, etc.)

We also produce a quantity of pork products every year, although pork production is not essential to our business plan. Our primary purpose in owning pigs is to utilize pig manure and pig blood for the production of maggots, which are one of the two primary feedstocks for forest frogs.

The diet of forest frogs consists primarily of maggots and of Tenebrio Molitor worms. Currently we are able to satisfy our requirements for maggots internally, using the resources of our pig farm. To grow the maggots we combine our internal supply of pig manure with an industrial powder, wheat bran, pig blood, and other feeds. The diet of Tenebrio Molitor worms consists primarily of wheat bran plus other feeds. We have several ready sources for all of the feedstocks that we require for our production activities.

## Marketing

While we engaged in marketing operations, we sold our products directly from our inventory.

## Intellectual Property

Our research and development department maintains a close association with the Tieli Forest Frog Research Institute, as well as with the Wildlife Resource College of Dongbei Forestry University. In this manner we strive to remain at the forefront of forest frog breeding technology. Over the years, our research team has made significant discoveries regarding incubation techniques, gestation of tadpoles and hibernation. We have also made progress in the treatment of various forest frog diseases.

To date our research and development efforts have resulted in three national patents, covering the following inventions:

- Chinese forest frog sanitarium liquor
- a nutrient solution of forest frog amino acids
- a moisturizing lotion for facial care derived from forest frogs.

## Employees

Tieli XiaoXingAnling currently has no employees.



## ITEM 1A. RISK FACTORS

### Risk Factors That May Affect Future Results

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this report, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

We have suspended our primary operations due to their lack of profitability. There is no assurance that we will be able to achieve profits in the forest frog industry.

Until 2008, all of our business consisted of the sale of hasma – raw forest frog fatty tissues. During 2008 we suspended those operations, as we realized that they would not be profitable over the long term. We are currently exploring methods of achieving profitable operations in the forest frog industry. It may occur, however, that we will be unable to formulate a business plan that achieves profitability, in which case we will be forced to liquidate our property and equipment.

The capital investments that we plan for the next two years may result in dilution of the equity of our present shareholders.

Our business plan contemplates that we will invest approximately 85 million RMB in our business during the next two years. We will raise the funds for that investment primarily by selling equity in our company. At present we have no commitment from any source for those funds. We cannot determine, therefore, the terms on which we will be able to raise the necessary funds. It is possible that we will be required to dilute the value of our current shareholders' equity in order to obtain the funds. If, however, we are unable to raise the necessary funds, our growth will be limited, as will our ability to compete effectively.

Competition could prevent us from achieving a significant market position.

There are currently over 5,000 brands of medicinal tonics being sold in China. The struggle to gain brand recognition is complicated by the lack of government regulation of health claims. In order to achieve substantial market presence, we will have to distinguish our brand from all of the others. In addition, if we are successful in establishing a strong market for our products, other large, well-capitalized nutraceutical companies could be attracted by our success we achieve, and develop similar products. If a well-capitalized company directed its financial strength toward competition with us, it could achieve economies of scale that might permit it to market its products at lower prices than ours. If this occurred before we had established a significant market awareness of our brand, we might be unable to compete effectively, and would be unable to achieve profitability.

A recession in China could significantly hinder our growth.

The growing demand for our products has been swelled, in large part, by the recent dramatic improvement in the standard of living in China. The continued growth of our market will depend on continuation of recent improvements in the Chinese economy and the amount of disposable income available to the Chinese population. If the Chinese economy were to contract and money became tight, individuals will be less able to pay premium prices for the benefits of forest frog hasma. Many financial commentators expect a recession to occur in China in the near future. The occurrence of a recession could significantly hinder our efforts to implement our business plan.

We are subject to the risk of disease and natural disasters.

Our business involves the production of livestock. We have not developed alternative sources for raw materials. If our forest frogs or, to a lesser extent, our pigs, become diseased, we could suffer a significant loss of value. In addition, if our farms are damaged by drought, flood, storm, or the other woes of farming, we will not be able to meet the demand for our products, and are likely to suffer operating losses. Such events could have both an immediate negative effect on our financial results, as well as a long-term negative effect on our ability to grow our business.

Our business and growth will suffer if we are unable to hire and retain key personnel that are in high demand.

Our future success will depend on our ability to attract and retain highly skilled scientists, geneticists, agricultural manufacturing specialists, and marketing personnel. In general, qualified individuals are in high demand in China, and there are insufficient experienced personnel to fill the demand. In a specialized scientific field, such as ours, the demand for qualified individuals is even greater. If we are unable to successfully attract or retain the personnel we need to succeed, we will be unable to implement our business plan.

- 4 -

---



We may have difficulty establishing adequate management and financial controls in China.

The People's Republic of China has only recently begun to adopt the management and financial reporting concepts and practices that investors in the United States are familiar with. We may have difficulty in hiring and retaining employees in China who have the experience necessary to implement the kind of management and financial controls that are expected of a United States public company. If we cannot establish such controls, we may experience difficulty in collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet U.S. standards.

Government regulation may hinder our ability to function efficiently.

The national, provincial and local governments in the People's Republic of China are highly bureaucratized. The day-to-day operations of our business require frequent interaction with representatives of the Chinese government institutions. The effort to obtain the registrations, licenses and permits necessary to carry out our business activities can be daunting. Significant delays can result from the need to obtain governmental approval of our activities. These delays can have an adverse effect on the profitability of our operations. In addition, compliance with regulatory requirements applicable to livestock farming and production may increase the cost of our operations, which would adversely affect our profitability.

Capital outflow policies in China may hamper our ability to pay dividends to shareholders in the United States.

The People's Republic of China has adopted currency and capital transfer regulations. These regulations require that we comply with complex regulations for the movement of capital. Although Chinese governmental policies were introduced in 1996 to allow the convertibility of RMB into foreign currency for current account items, conversion of RMB into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration of Foreign Exchange. We may be unable to obtain all of the required conversion approvals for our operations, and Chinese regulatory authorities may impose greater restrictions on the convertibility of the RMB in the future. Because most of our future revenues will be in RMB, any inability to obtain the requisite approvals or any future restrictions on currency exchanges will limit our ability to pay dividends to our shareholders.

Currency fluctuations may adversely affect our operating results.

Tieli XiaoXingAnling generates revenues and incurs expenses and liabilities in Renminbi, the currency of the People's Republic of China. However, as a subsidiary of China SXAN Biotech, Inc., it will report its financial results in the United States in U.S. Dollars. As a result, our financial results will be subject to the effects of exchange rate fluctuations between these currencies. From time to time, the government of China may take action to stimulate the Chinese economy that will have the effect of reducing the value of Renminbi. In addition, international currency markets may cause significant adjustments to occur in the value of the Renminbi. Any such events that result in a devaluation of the Renminbi versus the U.S. Dollar will have an adverse effect on our reported results. We have not entered into agreements or purchased instruments to hedge our exchange rate risks.

We have limited business insurance coverage.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products, and do not, to our knowledge, offer business liability insurance. As a result, we do not have any business liability insurance coverage for our operations. Moreover, while business disruption insurance is available, we have determined that the risks of disruption and cost of the insurance are such that we do not require it at this time. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. PROPERTY.

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. Tieli XiaoXingAnling has farming rights to a semi-wild area of 360,000 m<sup>2</sup>, from which we harvest forest frogs under a permit from the Province of Heilongjiang. In addition, we have ownership rights to a parcel of 145,000 m<sup>2</sup>.

- 5 -

---

ITEM 3. LEGAL PROCEEDINGS

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE SECURITY HOLDERS

Not applicable.

- 6 -

---

## PART II

## ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

## Market Information

Our common stock is currently quoted on the OTCBB under the symbol "CSXB.OB". There is a limited trading market for our common stock. The following table sets forth the range of high and low bid quotations for each quarter within the last two fiscal years. These quotations as reported by the OTCBB reflect inter-dealer prices without retail mark-up, mark-down, or commissions and may not necessarily represent actual transactions.

Quarter Ending		High		Low
September 30, 2007	\$	5.00	\$	0.26
December 31, 2007	\$	1.95	\$	0.27
March 31, 2008	\$	1.10	\$	0.26
June 30, 2008	\$	0.50	\$	0.13
September 30, 2008	\$	0.17	\$	0.02
December 31, 2008	\$	0.17	\$	0.02
March 31, 2009	\$	0.10	\$	0.01
June 30, 2009	\$	0.15	\$	0.01

## Security Holders

There are 199 shareholders of record of the Company's Common Stock.

## Equity Compensation Plans

We do not have any equity compensation plans. We have not granted any stock options or other equity awards since our inception.

## ITEM 6. Selected Financial Data

Not Applicable

- 7 -

---

ITEM Management's Discussion and Analysis

7.

Results of Operations

Early in the 2009 fiscal year, the Company's management determined that the Company's business, as then structured, was not sustainable. Among the factors that led to this conclusion were the increase of grain prices within China which has in turn increased our expenses for feedstock, increasing production costs, raw material costs, and costs associated with being a public company. As a result, management resolved to temporarily halt operations and formed an exploratory committee to evaluate the possibility of utilizing the current production lines and inventories toward the manufacture and distribution of other frog related products. For the year ended June 30, 2009, our business generated only \$60,575 of revenue, a 99% decrease from the \$12,587,579 in revenue recorded during the year ended June 30, 2008.

The suspension of operations forced us to write-off the value of our inventory of forest frogs. The resulting "loss on damaged inventory" of \$6,461,367 was the primary factor in our realization of a net loss of \$6,652,453 for the year ended June 30, 2009, as compared to net income of \$2,809,436 for the previous year. Since that write-off was a one-time event, we anticipate that our net loss for the near future will be modest. Nevertheless, we will continue to incur losses unless we revive our marketing operations. As of now, we have little operating income. We did not make a provision for income taxes in China, since we have not made profits.

Liquidity and Capital Resources

Since Tieli XiaoXingAnling was organized at the end of 2003, its operations have been funded primarily by capital contributions from its shareholders (who became, in July 2007, the controlling shareholders of China SXAN Biotech). In addition, the shareholders have made short-term, non-interest bearing loans to Tieli XiaoXingAnling when it needed working capital. The result is that at June 30, 2009, the Company had no bank debt and only a modest debt to investors.

The Company had \$1,093,875 in working capital at June 30, 2009. The primary components of working capital, however, were loans and advances that we made, in order to realize income from our cash resources while we have suspended operations.

Despite our large net loss, during the year ended June 30, 2009, the operations of Tieli XiaoXingAnling used only \$7,703 in cash. This occurred because the greater part of our net loss was the result of a non-cash write-off of inventory. At the same time, although we used \$4.7 million to purchase inventory (which was subsequently written-off), the payments were primarily made by reducing advances to suppliers that we made in prior periods. These factors helped the Company to reserve its operational cash.

As we have temporarily halted our operations, we are currently exploring the following possibilities toward the development of the company:

- Acquisition of a liquor factory or medical wine factory with the necessary Good Manufacturing Practices ("GMP") certification from the government.
- Acquisition of a pharmaceutical factory or healthcare products factory with a GMP certification.

Management intends to pursue a variety of sources for the funds required for those capital investments, offering both debt and equity. At the present time, however, no commitment for funds has been received from any source.

Off-Balance Sheet Arrangements

Neither China SXAN Biotech nor Tieli XiaoXingAnling has any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on their financial condition or results of operations.

- 8 -

---

ITEM 8. Financial Statements

China Sxan Biotech Inc. and Subsidiary

Consolidated Financial Statements

June 30, 2009 and 2008

Table of Contents

Consolidated Financial Statements	Page
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheet as of June 30, 2009 and 2008	F-2
Consolidated Statements of Operations and Comprehensive Income (loss) for the Years Ended June 30, 2009 and 2008	F-3
Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2009 and 2008	F-4
Consolidated Statements of Cash Flows for the Years Ended June 30, 2009 and 2008	F-5
Notes to Consolidated Financial Statements	F-6

---

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
China Sxan Biotech Inc.:

We have audited the accompanying consolidated balance sheets of China Sxan Biotech Inc. and subsidiaries (the "Company") as of June 30, 2009 and 2008, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the 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 consolidated 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 consolidated financial position of China Sxan Biotech Inc. and Subsidiaries as of June 30, 2009 and 2008, and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has incurred extensive losses from operations and management believes that the Company will continue to incur losses, which raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Patrizio & Zhao, LLC  
Parsippany, New Jersey  
September 30, 2009





CHINA SXAN BIOTECH, INC.  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2009 AND 2008

	June 30, 2009	June 30, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,204	\$ 23,203
Inventory	335,764	2,076,016
Other receivables	1,168,398	1,163,854
Advance payments	1,224,980	5,884,877
Other current assets	384	385
Total current assets	2,734,730	9,148,335
Property and equipment, net	461,633	695,163
Intangible assets, net - rights to use land	4,438,408	4,515,047
Total assets	\$ 7,634,771	\$ 14,358,545
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 145,945	\$ 249,212
Income taxes payable	1,221,131	1,216,130
Due to shareholders	79,350	79,350
Other taxes payable	126,881	126,362
Other payables	67,548	68,435
Total current liabilities	1,640,855	1,739,489
Stockholders' equity:		
Series A convertible preferred stock, \$0.001 par value, 99,900,000 shares authorized, 7,825,525 and 27,011,477 shares issued and outstanding at June 30, 2009 and 2008, respectively	7,826	27,011
Common stock, \$0.001 par value, 100,000,000 shares authorized, 19,919,795 and 19,542,572 shares issued and outstanding at June 30, 2009 and 2008, respectively	19,920	19,543
Additional paid-in capital	4,485,539	4,466,731
Statutory reserve	378,782	378,782
Retained earnings (deficit)	(482,879 )	6,169,574
Accumulated other comprehensive income	1,584,728	1,557,415
Total stockholders' equity	5,993,916	12,619,056
Total liabilities and stockholders' equity	\$ 7,634,771	\$ 14,358,545

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

F-2

---

## CHINA SXAN BIOTECH, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the Years Ended June 30,	
	2009	2008
Sales	\$ 60,575	\$ 12,587,579
Cost of sales	77,185	7,830,671
Gross profit (loss)	(16,610 )	4,756,908
Operating expenses:		
Selling, general and administrative	175,692	1,455,800
Income (loss) from operations	(192,302 )	3,301,108
Loss on damaged inventory	6,461,367	-
Other income (expenses):		
Other income, net	1,509	4,729
Interest income (expense), net	(293 )	(618 )
Total other income	1,216	4,111
Income (loss) before provision for income tax	(6,652,453 )	3,305,219
Provision for income tax	-	495,783
Net income (loss)	(6,652,453 )	2,809,436
Other comprehensive income		
Foreign currency translation adjustment	27,313	1,139,307
Comprehensive income (loss)	\$ (6,625,140 )	\$ 3,948,743
Basic earnings (loss) per share	\$ (0.34 )	\$ 0.17
Diluted earnings (loss) per share	\$ (0.34 )	\$ 0.17
Weighted average number of common shares outstanding:		
Basic	19,573,577	16,299,664
Diluted	19,573,577	16,814,790

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



## CHINA SXAN BIOTECH, INC.

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Capital Contributed	Series A Preferred Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Statutory Reserve	Retained Earnings (Deficit)	Accumulated other Comprehensive Income
Balance at June 30, 2007	\$4,667,380	-	\$ -	-	\$ -	-	\$378,782	\$3,360,138	\$ 418,1
Common stock issued in recapitalization	-	-	-	19,542,572	19,543	-	-	-	-
Series A preferred stocks	-	27,011,477	27,011	-	-	-	-	-	-
Effect of reverse merger	(\$4,667,380)	-	-	-	-	4,466,731	-	-	-
Net income	-	-	-	-	-	-	-	2,809,436	-
Other comprehensive income	-	-	-	-	-	-	-	-	1,139,3
Balance at June 30, 2008	\$ -	27,011,477	\$ 27,011	19,542,572	\$19,543	\$ 4,466,731	\$378,782	\$ 6,169,574	\$ 1,557,4
Series A Preferred stock converted into common stock	-	(19,185,952)	(19,185)	377,223	377	18,808	-	-	-
Net loss	-	-	-	-	-	-	-	(6,652,453)	-
Other comprehensive income	-	-	-	-	-	-	-	-	27,3
Balance at June 30, 2009	\$ -	7,825,525	\$ 7,826	19,919,795	\$19,920	\$ 4,485,539	\$378,782	\$ (482,879)	\$ 1,584,7

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



CHINA SXAN BIOTECH, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Net income (loss)	\$ (6,652,453)	\$ 2,809,436
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	246,769	246,343
Amortization	95,208	93,998
Loss on damaged inventory	6,461,367	-
Changes in assets and liabilities:		
Accounts receivable	-	1,458,528
Inventory	(4,712,355)	(589,483 )
Other receivables	-	(407,525 )
Advances payments	4,684,097	(3,749,866)
Other current assets	-	165
Accounts payable and accrued expenses	(129,168 )	(227,198 )
Income taxes payable	-	393,541
Other taxes payable	-	124,638
Other payables	(1,168 )	(27,795 )
Total adjustments	6,644,750	(2,684,654)
Net cash provided by (used in) operating activities	(7,703 )	124,782
Cash flows from investing activities:		
Acquisition of property and equipment	(10,383 )	(15,439 )
Net cash used in investing activities	(10,383 )	(15,439 )
Cash flows from financing activities:		
Repayments of stockholders' loans	-	(220,848 )
Net cash used in financing activities	-	(220,848 )
Effect of foreign currency translation on cash	87	129,816
Net increase (decrease) in cash and cash equivalents	(17,999 )	18,311
Cash and cash equivalents at beginning of year	23,203	4,892
Cash and cash equivalents at end of year	\$ 5,204	\$ 23,203
The accompanying notes are an integral part of these consolidated financial statements.		





CHINA SXAN BIOTECH INC.

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Note 1 – Organization and Description 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”). American SXAN is a holding company that on Oct 31, 2006 acquired 100% of the stock of Tieli Xiaoxinganling Forest Breeding Co., Ltd. (“Tieli Xiaoxinganling”), a corporation organized under the laws of The People’s Republic of China. Tieli Xiaoxinganling 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 on 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of China SXAN Biotech, Inc. and its wholly-owned subsidiaries. All inter-company transactions and balances have been eliminated in consolidation.

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.

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.

CHINA SXAN BIOTECH INC.  
Notes to Consolidated Financial Statements  
June 30, 2009 and 2008

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 between 5 to 10 years, less a base salvage value of 4% of the assets' stated cost. 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, 2009.

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, 2009 there were no significant impairments of its long-lived assets.

Intangible Assets

Intangible assets are carried at cost, less related accumulated amortization. Intangible assets consist of "Rights to use land" for 50 years and therefore amortized over 50 years based on straight-line method.

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, 2009 and 2008 were insignificant.

Income Taxes

Deferred income taxes are computed using the asset and liability method, such that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between financial reporting amounts and the tax basis of existing assets and liabilities based on currently enacted tax laws and tax rates in effect in the

People's Republic of China for the periods in which the differences are expected to reverse. Income tax expense is the tax payable for the period plus the change during the period in deferred income taxes. A valuation allowance is provided when it is 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 year ended June 30, 2009.

The Company is subject to PRC Enterprise Income Tax at a rate of 15% of net income. Given that the Company is doing business in the husbandry industry, the Company is allowed to delay paying income taxes until September 30, 2007. The Company has been accruing income tax since its inception.

F-7

---

CHINA SXAN BIOTECH INC.  
Notes to Consolidated Financial Statements  
June 30, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, investment securities, accounts receivable, accounts payable, accrued expenses and other obligations, approximate their fair value due to the short-term maturities of the related instruments.

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.

Comprehensive Income (loss)

The Company has adopted SFAS No. 130, Reporting Comprehensive Income, which establishes rules for the reporting and display of comprehensive income, its components and accumulated balances. SFAS No. 130 defines comprehensive income (loss) to include all changes in equity, including adjustments to minimum pension liabilities, accumulated foreign currency translation, and unrealized gains or losses on available-for-sale marketable securities, except those resulting from investments by owners and distributions to owners.

Earnings Per Share

In accordance with SFAS No. 128, "Computation of Earnings Per Share" ("SFAS No. 128") and EITF No. 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128" ("EITF No. 03-6"), basic earnings per share is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The Company's Series A redeemable convertible preferred shares are participating securities. Diluted earnings per share is calculated by dividing net income attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the year. Ordinary equivalent shares consist of the ordinary shares issuable upon the conversion of the convertible preferred shares (using the if-converted method) and ordinary shares issuable upon the exercise of outstanding share options (using the treasury stock method).

Recent Accounting Pronouncements

In April 2009, FASB Staff Position (FSP) No. FSP 107-1 and APB 28-1 was issued to amend SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods as well as for annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. FSP 107-1 and APB 28-1 are effective for interim reporting periods ending after June 15, 2009. Adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

CHINA SXAN BIOTECH INC.  
Notes to Consolidated Financial Statements  
June 30, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In April 2009, FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, was issued to provide additional guidance for estimating fair value in accordance with SFAS No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability have significantly decreased. This FSP also provides guidance on identifying circumstances which indicate that a transaction is not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In October 2008, the FASB issued FSP 157-3, Determining Fair Value of a Financial Asset in a Market That Is Not Active (“FSP 157-3”). FSP 157-3 clarifies the application of Statement of Financial Accounting Standards No. 157, Fair Value Measurements, in an inactive market. It demonstrates how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The Company’s implementation of this standard did not impact its consolidated results of operations or financial condition.

In September 2008, the FASB issued FSP FAS 133-1 and FIN 45-4, Disclosures about Credit Derivatives and Certain Guarantees, an Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161 (“FSP FAS 133-1 and FIN 45-4”). FSP FAS133-1 and FIN 45-4 amends Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (“SFAS 133”), to require disclosures by sellers of credit derivatives, including credit derivatives embedded in hybrid instruments. FSP FAS 133-1 and FIN 45-4 also amend FASB Interpretation No. 45, Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others (“FIN 45”), to require additional disclosure about the current status of the payment/performance risk of a guarantee. The provisions of the FSP that amend SFAS 133 and FIN 45 are effective for reporting periods ending after November 15, 2008. FSP FAS 133-1 and FIN 45-4 also clarifies the effective date in Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (“SFAS 161”). Disclosures required by SFAS 161 are effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company’s adoption of FSP FAS 133-1 and FIN 45-4 on January 1, 2009, will not impact its consolidated results of operations or financial condition.

Reclassification

Certain amounts as of June 30, 2008 were reclassified for comparative presentation purposes.

Note 3 – Going Concern And Management's Plan

The Company’s management resolved to temporarily halt operations and formed an exploratory committee to evaluate the possibility of utilizing the current production lines and inventories toward the manufacture and distribution of other frog related products. During the fiscal year ended June 30, 2009, the Company generated only \$60,575 of revenue, a 99% decrease as compared to the fiscal year ended June 30, 2008. Management believes the Company will continue to incur losses unless they revive their marketing operations.

The Company's management intends to pursue a variety of sources for the funds required for potential capital investments, offering both debt and equity. At the present time, however, no commitment for funds has been received from any source.

Note 4 – 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 5 – Inventory

Inventory at June 30, 2009 and 2008 consisted of the following:

	June 30, 2009	June 30, 2008
Food for frogs	\$-	\$28,049
Food for pigs	39,829	29,541
Frogs in process	-	305,259
Pigs in process	287,017	278,499
Packaging supplies	8,918	-
Finished goods	-	1,434,668
<b>Total</b>	<b>\$335,764</b>	<b>\$2,076,016</b>

Note 6 – Advance Payments

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.



CHINA SXAN BIOTECH INC.  
Notes to Consolidated Financial Statements  
June 30, 2009 and 2008

Note 7 – Property and Equipment, Net

Property and equipment at June 30, 2009 and 2008 consisted of the following:

	June 30, 2009	June 30, 2008
Buildings	\$1,234,117	\$1,234,117
Equipment	254,444	254,444
Breeding livestock	5,688	1,223
Construction in progress	21,786	9,705
	1,516,035	1,499,489
Less: accumulated depreciation	1,054,402	804,326
<b>Total</b>	<b>\$461,633</b>	<b>\$695,163</b>

Depreciation expense for the years ended June 30, 2009 and 2008 was \$246,769 and \$246,343, respectively.

Note 8 – Intangible Assets, Net - Rights To Use Land

Net intangible assets at June 30, 2009 and 2008 consisted of the following:

	June 30, 2009	June 30, 2008
Rights to use land	\$4,726,603	\$4,707,245
Less: accumulated amortization	(288,195 )	(192,198 )
<b>Total</b>	<b>\$4,438,408</b>	<b>\$4,515,047</b>

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, 2009 and 2008 amounted to \$95,208 and \$93,998, respectively.

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

2010	\$95,208
2011	95,208
2012	95,208
2013	95,208

2014 and thereafter	4,057,576
------------------------	-----------

Total	\$4,438,408
-------	-------------

Note 9 – 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 10– Due to Stockholders

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

F-10

---

CHINA SXAN BIOTECH INC.  
Notes to Consolidated Financial Statements  
June 30, 2009 and 2008

Note 11– Supplemental Cash Flow Disclosures

Cash paid for interest was \$293 and \$618 for the years ended June 30, 2009 and 2008, respectively. Cash paid for income tax was \$0 for the years ended June 30, 2009 and 2008.

Note 12 – Earnings (Loss) Per Share

The Company presents earnings per share on a basic and diluted basis. Basic earnings per share have been computed by dividing net earnings by the weighted average number of common shares outstanding. Diluted earnings per share have been computed by dividing net earnings plus convertible preferred dividends and interest expense (after-tax) on convertible debt by the weighted average number of common shares outstanding including the dilutive effect of equity securities. The weighted average number of common shares calculated for diluted EPS excludes the potential common stock that would be exercised under the options and warrants granted to officers because the inclusion of the potential shares from these options and warrants would cause an anti-dilutive effect by increasing the net earnings per share. On September 4, 2007, the Company effectuated a 1 for 51 reverse stock splits of the Company's common stock.

	June 30, 2009	June 30, 2008
Net income (loss)	\$ (6,652,453 )	\$ 2,809,436
Weighted average common shares	19,573,577	16,299,664
Effect of diluted securities	-	515,126
Weighted average common shares	19,573,577	16,814,790
Basic earnings (loss) per share	\$ (0.34 )	\$ 0.17
Diluted earnings (loss) per share	\$ (0.34 )	\$ 0.17

Note 13 – Stockholders' Equity

On July 10, 2007, Advance Technologies acquired 100% of the outstanding capital stock of American SXAN in a reverse merger transaction. Upon completion of the reverse merger, the Company had 96,671,199 shares of common stock issued and outstanding. In addition, there were 27,011,477 shares of Series A Non-voting Preferred Stock, each of which was convertible into one share of common stock. There were also 100,000 shares of Series B Preferred Stock issued and outstanding, which were convertible into 900,000,000 shares of common stock.

On September 4, 2007, Advance Technologies changed its name to China SXAN Biotech, Inc and effectuated a 1 for 51 reverse stock split of its outstanding common stock (the "Reverse Split"). The Reverse Split did not alter the number of shares of common stock the Company was authorized to issue, but rather simply reduced the number of shares of its common stock issued and outstanding.

Note 14 - Employee Welfare Plan

The Company has established an employee welfare plan in accordance with Chinese laws and regulations. Full-time employees of the Group in the PRC participate in a government-mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance and other welfare benefits are provided to employees. PRC labor regulations require the Group to accrue for these benefits based on a certain percentage of the employees' salaries.

Note 15 – Statutory Reserve

Under PRC law, our 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. The statutory reserve balance as of June 30, 2009 and 2008 was \$378,782.

Note 16 - Risk Factors

For the fiscal year ended June 30, 2009, one customer accounted for approximately 62% of the Company's total sales. Sales to this customer amounted to \$37,797. For the fiscal year ended June 30, 2008, five customers accounted for approximately 70% of the Company's total sales. Sales to these customers amounted to approximately \$8,811,000.

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 17 - 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 \$5,204 as of June 30, 2009.

Note 18 - Subsequent Events

Not applicable

ITEM Changes in and Disagreements with Accountants on Accounting and Financial Disclosure  
9.

Not Applicable

ITEM 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The term “disclosure controls and procedures” (defined in SEC Rule 13a-15(e)) refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported within required time periods. The Company’s management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this annual report (the “Evaluation Date”). Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, such controls and procedures were effective.

(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, 2009, 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. Our books are maintained and our financial statements are prepared by the personnel employed at our executive offices in China. None of our employees has substantial experience or familiarity with U.S accounting principles. The lack of personnel in our China office who are trained in U.S. accounting principles is a weakness because it could lead to improper classification of items and other failures to make the entries and adjustments necessary to comply with U.S. GAAP.

Management is currently reviewing its staffing and their training in order to remedy the weaknesses identified in this assessment. To date, we are not aware of significant accounting problems resulting from these weaknesses; so we have to weigh the cost of improvement against the benefit of strengthened controls. However, because of the above conditions, management's assessment is that the Company's internal controls over financial reporting were not effective as of June 30, 2009.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Item 9B. Other Information

None.

- 10 -

---

## PART III

Item Directors, Executive Officers, and Corporate Governance  
10.

The officers and directors of the Company are:

Name	Age	Position with the Company	Director Since
Feng Zhenxing	57	Chairman, Chief Executive Officer, Chief Financial Officer	2007
Feng Guowu	48	Director, Secretary	2007

All directors hold office until the next annual meeting of our shareholders and until their successors have been elected and qualify. Officers serve at the pleasure of the Board of Directors.

Feng Zhen Xing has been employed as General Manager of Tieli XiaoXingAnling since 2001. Mr. Feng has been engaged throughout his career in developing breeding techniques for forest frogs. He is currently a member of the Frog Professional Committee of the China Wildlife Protection Association. In 1982 Mr. Feng received an Associates Degree in Water Affairs from the Heilongjiang Provincial Water Affairs College.

Feng Guo Wu has been employed since 2006 as Chairman and President of XiaoXingAnling Biotech Co., Ltd., which is engaged in breeding forest frogs and processing frog-based products. From 2003 to 2006 Mr. Feng was Chairman and President of Yili City XiaoXingAnling, which also specializes in breeding forest frogs and processing their products. During this same period, 2003 to the present, Mr. Feng has also served as Chairman of Jiamusi Pig Breeding Co., Ltd., which is engaged in developing pig breeding technologies. From 2000 to 2003 Mr. Feng was the Director-General of the Jiamusi City Unemployment Insurance Bureau, an agency of the municipal government. For the past four years Mr. Feng has served as Vice Chairman of the Heilongjiang Province Labor Association, a quasi-governmental organization involved in labor coordination. In 1974 Mr. Feng was awarded an Associates Degree in Aviation by the No. 7 Aviation Institute of the People's Liberation Army Air Force.

#### Audit Committee; Compensation Committee

The Board of Directors has not yet appointed an Audit Committee or a Compensation Committee, due to the small size of the Board. The Board of Directors does not contain an audit committee financial expert, again due to the small size of the Board.

#### Code of Ethics

The Company does not have a written code of ethics applicable to its executive officers. The Board of Directors has not adopted a written code of ethics because there are so few executive officers of the Company.

#### Section 16(a) Beneficial Ownership Reporting Compliance

None of the officers, directors or beneficial owners of more than 10% of the Company's common stock failed to file on a timely basis the reports required by Section 16(a) of the Exchange Act during the year ended June 30, 2009.





## Item 11. Executive Compensation

The table below itemizes the compensation paid to Feng Zhen Xing and Feng Guo Wu by Tieli XiaoXingAnling for services during the current and past two years. There was no officer of Tieli XiaoXingAnling whose salary and bonus for services rendered during the year ended December 31, 2009 exceeded \$100,000.

	Year	Salary	Bonus	Stock Awards	Option Awards	Other Compensation
Feng Zhenxing	2009	\$12,820				
	2008	\$12,820				
	2007	\$12,820				

	Year	Salary	Bonus	Stock Awards	Option Awards	Other Compensation
Feng Guowu	2009	\$12,820				
	2008	\$12,820				
	2007	\$12,820				

- 12 -

---

Item 12. Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

There are 19,542,572 shares of our common stock outstanding on the date of this report. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed below have sole voting power and investment power with respect to their shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission.

In computing the number of shares beneficially owned by a person and the percent ownership of that person, we include shares of common stock subject to options or warrants held by that person that are currently exercisable or will become exercisable within 60 days. We do not, however, include these “issuable” shares in the outstanding shares when we compute the percent ownership of any other person.

Name of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)	Percentage of Class
Feng Zhenxing	14,400,000	73.7%
Feng Guowu	800,000	4.1%
All officers and directors (3 persons)	15,200,000	77.8%

(1) Except as otherwise noted, the address of each shareholder is 648 Weihai Road, Changchun, Jilin Province, P.R. China.

(2) Except as otherwise noted, all shares are owned of record and beneficially.

Item 13. Certain Relationships and Related Transactions

Neither Mr. Feng Zhenxing nor Mr. Feng Guowu has engaged in any transaction with the Company during the past fiscal year or the current fiscal year that had a transaction value in excess of \$60,000.

Item 14. Principal Accountant Fees and Services

China Sxan Biotech, Inc.(the “Company”) engaged Patrizio & Zhao, LLC to serve as its independent registered public accountant in November 2007.

Audit Fees

Patrizio & Zhao, LLC billed \$50,000.00 to the Company for professional services rendered for the audit of fiscal 2009 financial statements. Patrizio & Zhao, LLC billed \$50,000 to the Company for professional services rendered for the audit of fiscal 2008 financial statements.

Audit-Related Fees

Patrizio & Zhao, LLC billed \$ -0- to the Company during fiscal 2009 and fiscal 2008 for assurance and related services that are reasonably related to the performance of the fiscal 2009 and fiscal 2008 audit or review of the quarterly financial statements.

Tax Fees

Patrizio & Zhao, LLC billed \$ -0- to the Company during fiscal 2009 and fiscal 2008 for professional services rendered for tax compliance, tax advice and tax planning.

All Other Fees

Patrizio & Zhao, LLC billed \$ -0- to the Company in fiscal 2009 and fiscal 2008 for services not described above.

It is the policy of the Company that all services other than audit, review or attest services must be pre-approved by the Board of Directors. No such services have been performed by Patrizio & Zhao, LLC.

- 13 -

---

Item 15. Exhibit List

3-a. Articles of Incorporation, and 1989 amendment. - filed as an exhibit to the Company's Registration Statement on Form SB-2 (33-85218 C) and incorporated herein by reference.

3-a(1) Amendment to Articles of Incorporation dated March 4, 1991, March 22, 1994, and November 18, 1994. - filed as an exhibit to the Company's Registration Statement on Form SB-2 (33-85218 C) and incorporated herein by reference.

3-b. By-laws. - filed as an exhibit to the Company's Registration Statement on Form SB-2 (33-85218 C) and incorporated herein by reference.

21 Subsidiaries - American SXAN Biotech, Inc. (100% ownership)  
- Tieli XiaoXingAnling Forest Frog Breeding Co., Ltd. (100% ownership)

31 Rule 13a-14(a) Certification

32 Rule 13a-14(b) Certification

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on October 12, 2009.

CHINA SXAN BIOTECH, INC.

By: /s/ Feng Zhen Xing  
Mr. Feng Zhen Xing  
Chairman of the Board and Chief  
Executive Officer and Chief Financial  
Officer

In accordance the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on October 12, 2009

Name	Title
/s/ Feng Zhen Xing	Chairman of the Board and Chief Executive Officer and Chief Financial and Accounting Officer

Feng Zhen Xing	
/s/ Feng Guowu	Director

Feng Guowu

- 14 -

---

