CHAMPIONS BIOTECHNOLOGY, INC.
Form 10-Q
December 15, 2008

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

FORM 10--Q

Mark One

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

For the quarterly period ended October 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	52--1401755
(State or other jurisdiction of organization)	(I.R.S. Employer Identification No.)
1400 N. 14th Street, Arlington, VA	22209
(Address of principal executive offices)	(Zip code)

(410) 630--1313
(Registrant''s telephone number, including area code)

____
(Former address)

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 X No __

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.

Large accelerated filer [ ] Accelerated filer [ ]

Non--accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [X]

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

As of December 15, 2008, the Registrant had a total of 33,272,718 shares of common stock outstanding.

CHAMPIONS BIOTECHNOLOGY, INC.
FORM 10--Q

INDEX

2

PART I

Item 1. Financial Statements

CHAMPIONS BIOTECHNOLOGY, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

		October 31, 2008		April 30, 2008
		(Unaudited)		**(Audited)**
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	3,052,558	$	3,709,136
Accounts receivable		77,091		--
Prepaid expenses		152,242		52,873
Prepaid contract expenses		43,374		--
Total Current Assets		3,325,265		3,762,009
Intangibles assets		236,531		227,465
Goodwill		661,909		661,909
TOTAL ASSETS	$	4,223,705	$	4,651,383
LIABILITIES AND STOCKHOLDERS'' EQUITY				
CURRENT LIABILITIES				
Accounts payable	$	307,828	$	147,971
Deferred revenue		461,838		504,622
Other accrued expenses		--		361,275
Total current liabilities		769,666		1,013,868
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS'' EQUITY				
Preferred stock, $10 par value; 56,075 shares authorized;				
0 shares issued and outstanding				
Common stock, $.001 par value; 50,000,000 shares authorized;				
33,272,718 and 33,247,718 shares issued and outstanding		33,273		33,248
Additional paid--in capital		11,643,233		11,715,182
Accumulated deficit		(7,467,619)		(7,068,547)
		4,208,887		4,679,883
Prepaid consulting		(754,848)		(1,042,368)
Total stockholders'' equity		3,454,039		3,637,515
TOTAL LIABILITIES AND STOCKHOLDERS'' EQUITY	$	4,223,705	$	4,651,383

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

3

CHAMPIONS BIOTECHNOLOGY, INC.

AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS AND THREE MONTHS ENDED OCTOBER 31, 2008 AND 2007 (UNAUDITED)

	Six Months Ended October 31		Three Months Ended October 31	
	2008	**2007**	**2008**	**2007**
REVENUES				
Personalized oncology and preclinical contract revenue	$ 1,717,289	$ 250,000	$ 1,044,172	$ --
Total revenues	1,717,289	250,000	1,044,172	--
OPERATING EXPENSES				
Research and development	636,567	105,910	419,404	30,910
Cost of personalized oncology and preclinical contract revenue	718,186	63,039	458,586	--
General and administrative	807,437	228,040	422,885	119,288
Total operating expenses	2,162,190	396,989	1,300,875	150,198
OPERATING (LOSS)	(444,901)	(146,989)	(256,703)	(150,198)
OTHER INCOME				
Interest income	45,829	9,994	25,113	4,635
(LOSS) BEFORE TAXES	(399,072)	(136,995)	(231,590)	$ (145,563)
Provision for income taxes	--	--	--	--
NET (LOSS)	$ (399,072)	$ (136,995)	$ (231,590)	$ (145,563)
(Loss) per common share:				
Basic and diluted	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.00)
Shares used in calculating (loss) per common share:				
Basic and diluted	33,270,816	31,233,353	33,272,718	31,624,658

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

4

CHAMPIONS BIOTECHNOLOGY, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2008 AND 2007 (UNAUDITED)

	2008	**2007**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$ (399,072)	$ (136,995)
Adjustments to reconcile net (loss) to net cash (used in) operating **activities:**		
Share based compensation	25,743	--
Excess tax benefits from share based payment arrangements	(9,010)	--
Amortization of prepaid consulting services	182,353	63,287

Changes in:				
(Increase) in accounts receivable		(77,091)		--
(Increase) in prepaid expenses		(99,368)		--
(Increase) in prepaid contract expenses		(43,374)		--
Increase (decrease) in accounts payable		159,858		(7,561)
(Decrease) in deferred revenue		(42,785)		--
(Decrease) increase in other accrued expenses		(361,275)		15,743
Net cash (used in) operating activities		(664,021)		(65,526)
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase) in intangible assets		(9,067)		--
Net cash (used in) investing activities		(9,067)		--
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of officers loan payable		--		(43,693)
Proceeds from exercise of options		7,500		--
Excess tax benefits from share based payment arrangements		9,010		--
Net cash provided by (used in) financing activities		16,510		(43,693)
Net (decrease) in cash and cash equivalents		(656,578)		(109,219)
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD		3,709,136		475,135
CASH AND CASH EQUIVALENTS -- END OF PERIOD	$	3,052,558	$	365,916
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the period for:				
Interest paid	$	--	$	--
Income Tax Paid	$	--	$	--

SUPPLEMENTAL SCHEDULE OF NON--CASH FLOW INVESTING AND FINANCING ACTIVITIES:

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

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

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

In August 2008, the Company issued 150,000 warrants for prepaid consulting valued at $93,870.

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

5

CHAMPIONS BIOTECHNOLOGY, INC.
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2008 AND 2007 (UNAUDITED)

(1) <u>ORGANIZATION AND BASIS OF PRESENTATION</u>

The accompanying condensed consolidated financial statements of Champions Biotechnology, Inc. ("Champions" or the "Company") as of and for the six months ended October 31, 2008 and 2007 are unaudited. The accompanying unaudited condensed consolidated balance sheets, statements of operations and statements of cash flows have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the disclosures required by Generally Accepted Accounting Principles (""GAAP"") for complete financial statements. The financial statements reflect all adjustments, consisting only of normal, recurring adjustments, which are in the opinion of management, necessary for a fair presentation for the interim periods. Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and related revenue and expense accounts and the disclosure of contingent assets and liabilities to prepare these condensed consolidated financial statements in conformity with GAAP. Actual results could differ materially from those estimates. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company''s Annual Report on Form 10--KSB for the fiscal year ended April 30, 2008. The results for the six months and three months ended October 31, 2008 may not be indicative of the results for the entire year.

Impact of Recent Accounting Pronouncements

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurement" ("SFAS No. 157") on May 1, 2008. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and SFAS 157 details the disclosures that are required for items measured at fair value. In February 2008, the Financial Accounting Standards Board issued Staff Position No. 157--2 (FSP 157--2), which delays the effective date of SFAS 157 for one year for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company does not have nonfinancial assets and nonfinancial liabilities that are required to be measured at fair value on a recurring basis. Based on this guidance, the Company expects to adopt the provisions of SFAS 157 as related to nonfinancial assets and nonfinancial liabilities, effective January 1, 2009 and this adoption is not expected to have a material impact on the Company''s financial statements.

The Company did not elect the fair value measurement option under SFAS No. 159, "The Fair Value Option for Financial Assets and Liabilities"" and presently, the Company does not have any financial assets and liabilities that would need to be measured under the fair measurement option under SFAS 159.

In December 2007, the FASB issued SFAS No. 160, "Non--controlling Interests in Consolidated Financial Statements: an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 replaces the term minority interests with the newly--defined term of non--controlling interests and establishes this line item as an element of stockholders'' equity, separate from the parent''s equity. SFAS No. 160 also includes expanded disclosure requirements regarding the interests of the parent and its non--controlling interest. The Company is continuing to review the provisions of SFAS No. 160, which is effective the first quarter of fiscal 2010, and currently does not expect this new accounting standard to have a significant impact on the Financial Statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities: an amendment of FASB Statement No. 133" ("SFAS No. 161"). SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities. The Company is reviewing the provisions of SFAS No. 161, which is effective the first quarter of fiscal 2010, and currently does not anticipate that this new accounting standard will have a significant impact on the Financial Statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC''s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles". The effective date of SFAS No. 162 has not yet been determined. The implementation of this standard will not have a material impact on the Financial Statements.

Reclassifications

The Company has reclassified certain amounts for the six months and three months ended October 31, 2007 to conform to the presentation of the October 31, 2008 amounts. The reclassifications have no effect on the net loss for the periods ended October 31, 2008.

(2) NET (LOSS) PER SHARE

Basic earnings per common share (EPS) is computed by dividing net income by the weighted--average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income by the weighted--average number of common shares outstanding during the period increased to include all additional common shares that would have been outstanding assuming potentially dilutive common share equivalents had been issued. Dilutive common share equivalents include (1) the dilutive effect of in--the--money shares related to stock options, which is calculated based on the average share price for each period using the treasury stock method. Under the treasury stock method, the exercise price of an option, the average amount of compensation cost, if any, for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid--in capital, if any, when the option is exercised, are assumed to be used to repurchase shares in the current period. For the six months ended October 31, 2008 and 2007, there were an aggregate of 793,136 and 711,765, respectively, potential common shares related to share--based instruments, excluded from the diluted EPS computation because their inclusion would have had an anti--dilutive effect.

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

	October 31, 2008	October 31, 2007
Net (loss)	$ (399,072)	$ (136,995)
Weighted--average common shares outstanding (basic and diluted)	33,270,816	31,233,353

(3) COMMITMENTS AND CONTINGENCIES

Operating leases

The Company leases, as tenant, space under an operating lease, which expires February 29, 2009.

Rental expense during the six months and three months ended October 31, 2008 was $39,364 and $20,084, respectively. Rental expenses for the six months and three months ended October 31, 2007 was $0.

(4) SHARE BASED COMPENSATION

The total employee share based compensation cost that has been recognized in results of operations for the six months and three months ended October 31, 2008 was $25,743 and $12,124, respectively. As of October 31, 2008, there was $128,749 unrecognized compensation cost related to employee share based compensation arrangements. The cost is expected to be recognized over a weighted average period of 2.69 years.

The total nonemployee consulting share based compensation cost that has been recognized in the results of operations was $182,353 for the six months and $97,380 for the three months ended October 31, 2008. As of October 31, 2008 there was $754,848 unrecognized compensation related to nonemployee consulting share based compensation arrangements. The cost is expected to be recognized over a weighted average period of 2.21 years.

7

(5) PROVISION FOR INCOME TAXES

Deferred income taxes are determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company''s assets and liabilities. Deferred income taxes are measured based on the tax rates expected to be in effect when the temporary differences are included in the Company''s consolidated tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

At October 31, 2008 and 2007, deferred tax assets consist of the following:

	2008	2007
Deferred tax asset	$ 2,613,700	$ 2,534,700
Less: valuation allowance	(2,613,700)	