

CHINA AOXING PHARMACEUTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	-----YEAR ENDED JUNE 30,-----	
	2007 (Restated)	2006 (Restated)
SALES	\$ 1,938,639	\$ -
COST OF SALES	<u>1,038,563</u>	<u>-</u>
GROSS PROFIT	<u>900,076</u>	<u>-</u>
OPERATING EXPENSES:		
Research and development	270,720	136,039
General and administrative	1,204,031	772,862
Selling expense	276,813	-
Depreciation and amortization	555,998	-
TOTAL OPERATING EXPENSES	<u>2,307,562</u>	<u>908,901</u>
LOSS FROM OPERATIONS	(1,407,486)	(908,901)
OTHER INCOME (EXPENSES):		
Interest expense	(16,445,116)	(604,046)
Change in fair value of warrant and derivative liabilities	3,077,921	-
LOSS BEFORE MINORITY INTEREST	<u>(14,774,681)</u>	<u>(1,512,947)</u>
MINORITY INTEREST IN LOSSES OF SUBSIDIARY	<u>561,050</u>	<u>121,036</u>
NET LOSS	(14,213,631)	(1,391,911)
OTHER COMPREHENSIVE INCOME:		
Foreign currency translation adjustment	191,236	190,258
COMPREHENSIVE LOSS	<u>\$ (14,022,395)</u>	<u>\$ (1,201,653)</u>
Basic and diluted loss per common share	<u>\$ (0.35)</u>	<u>\$ (0.03)</u>
Weighted average number of shares outstanding	<u>40,098,373</u>	<u>40,050,041</u>

See notes to financial statements