CHAMPIONS BIOTECHNOLOGY, INC.
Form 10-Q/A
August 27, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A
(AMENDMENT NO. 1)

Mark One

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

For the quarterly period ended July 31, 2008

OR

o **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.)
855 N. Wolfe Street, Suite 619, Baltimore, MD	21205
(Address of principal executive offices)	(Zip code)

(410) 369-0365

(Registrant s telephone number, including area code)

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 o No þ

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate web-site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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 o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

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

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

Explanatory Note:

On June 19, 2009, the Audit Committee of the Board of Directors of Champions Biotechnology, Inc. (Champions , the Company , or as used in the context of we , us or our) concluded that our quarterly financial statements for the fiscal year April 30, 2009 and our financial statements for the year ended April 30, 2008 would need to be restated and should no longer be relied upon.

This Amendment No. 1 (the Form 10-Q/A) to our Quarterly Report on Form 10-Q for the for the three months ended July 31, 2008 (the 2009 First Quarter 10-Q) is being filed to restate our condensed financial statements as of July 31, 2008 and for the three month periods ended July 31, 2008 and July 31, 2007. In addition, we are concurrently filing Form 10-KSB/A to amend and restate our consolidated financial statements for the year ended April 30, 2008 and Form 10-Q/As to amend and restate our condensed consolidated financial statements for the quarterly periods ended October 31, 2008 (the 2009 Second Quarter 10-Q) and January 31, 2009 (the 2009 Third Quarter 10-Q).

Background:

The Company has restated its condensed consolidated financial statements as of July 31, 2008 and April 30, 2008 and for the three month periods ended July 31, 2008 and 2007.

This restatement arose when the Company identified an error in its accounting for stock-based compensation related to stock options issued to non-employees for consulting services. Previously, the Company recognized a contra equity account called prepaid consulting for the fair value of the unvested stock based compensation awards. This prepaid consulting balance was amortized to compensation expense over the options vesting term. Additionally, when certain non-employees were hired as permanent employees, no modification to the accounting for their previously issued stock based compensation award was considered. Finally, the Company considered the grant date to be the measurement date for options awards issued to non-employees when no performance commitment existed. Upon further review and analysis of the relevant accounting literature related to stock based compensation, we determined the balance sheet should not present the fair value of the unvested portion of awards issued to non-employees as the awards were not fully vested when granted. Additionally, as no performance commitment existed as of the grant date, the measurement date related to non-employee stock option grants should have been measured at the date the non-employees performance was completed, or over the respective options vesting term. Lastly, when non-employees, who had previously received stock options, were hired as permanent employees, the unvested compensation should have been recognized as stock based compensation expense ratably over the remaining vesting period on a prospective basis.

Note 2 to our restated condensed consolidated financial statements describes the nature of the restatement adjustments and details the impact of the restatement on our condensed consolidated financial statements as of July 31, 2008 and April 30, 2008 and the three month periods ended July 31, 2008 and 2007.

In connection with the restatement, management has assessed the effectiveness of our disclosure controls and procedures and has included revised disclosure in this Form 10-Q/A under Item 4 of Part I, Controls and Procedures . Management identified a material weakness in our internal control over financial reporting with respect to our interpretation and application of Statement of Financial Accounting Standards No, 123(R), *Share Based Payment*, (SFAS 123R) and EITF 98-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*, (EITF 96-18) as they apply to the calculation of stock based compensation. As a result of this material weakness, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting and our disclosure controls and procedures were not effective at a reasonable assurance level as of April 30, 2008 and as of the date of this filing. As of the filing date of this Form 10-Q/A, we have implemented accounting practices that management believes complies with requirements of SFAS 123R and EITF 96-18. Management has taken and is taking steps, as described under Item 4 of Part I to remediate the material weakness in our internal control over financial reporting.

Because this Form 10-Q/A sets forth the 2008 First Quarter Form 10-Q/A in its entirety, it includes items that have been changed as a result of the restatement and items that are unchanged from the original filing. Other than the amending of the disclosures relating to the restatement, the Form 10-Q/A speaks as of the original filing date of the 2008 First Quarter Form 10-Q and has not been updated to reflect other events occurring subsequent to the original filing date. This includes forward-looking statements impacted by the restatement, which should be read in their historical context. This Form 10-Q/A should be read in conjunction with our Form 10-KSB/A for the year ended April 30, 2008.

The following items in this Form 10-Q/A have been amended as a result of the restatement:

Part I Item 1. Financial Statements

Part I Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Part I Item 4. Controls and Procedures

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PART I

Item 1. Financial Statements

CHAMPIONS BIOTECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	July 31, 2008 (Restated) (Unaudited)	April 30, 2008 (Restated) (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,494,872	$ 3,709,136
Accounts receivable	6,173	
Prepaid expenses	71,483	52,873
Prepaid contract expenses	95,795	
Total current assets	3,668,323	3,762,009
Intangibles assets	241,836	227,465
Goodwill	661,909	661,909
TOTAL ASSETS	$ 4,572,068	$ 4,651,383
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 189,006	$ 147,971
Deferred revenue	806,937	504,622
Other accrued expenses		361,275
Total current liabilities	995,943	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 at July 31, 2008 and April 30, 2008, respectively	33,273	33,248
Additional paid-in capital	11,188,535	11,119,343
Accumulated deficit	(7,645,683)	(7,515,076)
Total stockholders equity	3,576,125	3,637,515
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 4,572,068	$ 4,651,383

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

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CHAMPIONS BIOTECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JULY 31, 2008 AND 2007 (UNAUDITED)

	2008 (Restated)	2007 (Restated)
REVENUES		
Personalized oncology and preclinical contract revenue	$ 673,117	$ 250,000
Total revenues	673,117	250,000
OPERATING EXPENSES		
Research and development	217,163	75,000
Cost of personalized oncology and preclinical contract revenue	259,600	80,562
General and administrative	347,677	150,538
Total operating expenses	824,440	306,100
OPERATING LOSS	(151,323)	(56,100)
OTHER INCOME		
Interest income	20,716	5,359
LOSS BEFORE TAXES	(130,607)	(50,741)
Provision for income taxes		
NET LOSS	$ (130,607)	$ (50,741)
Loss per common share:		
Basic and diluted	$ (0.00)	$ (0.00)
Shares used in calculating loss per common share:		
Basic and diluted	33,268,914	30,842,049

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

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

	2008 (Restated)	2007 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (130,607)	$ (50,741)
Adjustments to reconcile net (loss) to net cash (used in) provided by operating activities:		
Share based compensation expense expense	61,717	86,147
Changes in:		
(Increase) in accounts receivable	(6,173)	
(Increase) in prepaid expenses	(18,609)	
(Increase) in prepaid contract expenses	(95,795)	
Increase in accounts payable	41,035	12,689
Increase in deferred revenue	302,315	
(Decrease) increase in other accrued expenses	(361,275)	27,488
Net cash (used in) provided by operating activities	(207,392)	75,583
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets	(14,372)	
Cash received in Biomerk, Inc. acquisition		471,377
Net cash (used in) provided by investing activities	(14,372)	471,377
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of officers loan payable		(43,693)
Proceeds from exercise of options	7,500	
Net cash provided by (used in) financing activities	7,500	(43,693)
Net (decrease) increase in cash and cash equivalents	(214,264)	503,267
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD	3,709,136	3,758
CASH AND CASH EQUIVALENTS END OF PERIOD	$ 3,494,872	$ 507,025

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for:		
Interest paid	$	$
Income tax paid	$	$

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

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

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

CHAMPIONS BIOTECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2009
(UNAUDITED)

(1) ORGANIZATION AND BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements of Champions Biotechnology, Inc. (Champions or the Company) as of and for the three months ended July 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 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/A for the fiscal year ended April 30, 2008. The results for the three months ended July 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 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.

The Company did not elect the fair value measurement option under SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities*, (SFAS 159) 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 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 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 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 three months ended July 31, 2007 to conform to the presentation of the July 31, 2008 amounts. The reclassifications have no effect on the net income for the periods ended July 31, 2007.

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(2) RESTATEMENT OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company has restated its consolidated financial statements as of July 31, 2008 and April 30, 2008 and for the three month periods ended July 31, 2008 and 2007.

The restatement arose when the Company identified an error in its accounting for stock-based compensation related to stock options issued to non-employees for consulting services. Previously, the Company recognized a contra equity account called prepaid consulting for the fair value of the unvested stock based compensation awards. This prepaid consulting balance was amortized to compensation expense over the options vesting term. Additionally, when certain non-employees were hired as permanent employees, no modification to the accounting for their previously issued stock based compensation award was considered. Finally, the Company considered the grant date to be the measurement date for options awards issued to non-employees when no performance commitment existed. Upon further review and analysis of the relevant accounting literature related to stock-based compensation, we determined the balance sheet should not present the fair value of the unvested portion of awards issued to non-employees as the awards were not fully vested when granted. Additionally, as no performance commitment existed as of the grant date, the measurement date related to non-employee stock option grants should have been measured at the date the non-employees performance was completed, or over the respective options vesting term. Lastly, when non-employees, who had previously received stock options, were hired as permanent employees, the unvested compensation should have been recognized as stock based compensation expense ratably over the remaining vesting period on a prospective basis.

The Company s management performed a detailed review of Statement of Financial Accounting Standards No, 123R, *Share Based Payment*, (SFAS 123R), EITF 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*, (EITF 96-18) and EITF 00-18, *Accounting Recognition for Certain Transactions involving Equity Instruments Granted to Other Than Employees*, (EITF 00-18) as they apply to stock options granted to non-employees. After evaluating this accounting literature, the Company determined the balance sheet should not be grossed up for the unvested value of compensation expense. Additionally, the compensation expense related to non-employee stock option grants should calculated based on the fair market value of the options on the grant date and re-measured at the end of each subsequent reporting period over the options vesting term. Lastly, when non-employees who had previously received stock options were hired as permanent employees, the unvested compensation as of the hire date should have been recognized ratably on a prospective basis over the remaining vesting term.

The following is a summary of the effects of the restatement on the Company s condensed consolidated balance sheet as of July 31, 2008 and April 30, 2008, its condensed consolidated statements of operations for the three month periods ended July 31, 2008 and 2007, and its condensed consolidated statements of cash flows for the three month periods ended July 31, 2008 and 2007:

CONDENSED CONSOLIDATED BALANCE SHEET
As of July 31, 2008

	As Previously Reported	Restatement Adjustments	As Restated
Current assets:			
Cash and cash equivalents	$ 3,494,872	$	$ 3,494,872
Accounts receivable	6,173		6,173
Prepaid expenses	71,483		71,483
Prepaid contract expenses	95,795		95,795
Total current assets	3,668,323		3,668,323
Intangible assets	241,836		241,836
Goodwill	661,909		661,909

Total assets	$ 4,572,068	$	$ 4,572,068
Current liabilities:			
Accounts payable	$ 189,006	$	$ 189,006
Deferred revenue	806,937		806,937
Total current liabilities	995,943		995,943
Commitments and contingencies			
Stockholders equity:			
Common stock	33,273		33,273
Additional paid-in capital	11,580,064	(391,529)	11,188,535
Accumulated deficit	(7,236,029)	(409,654)	(7,645,683)
Prepaid consulting fees	(801,183)	801,183	
Total stockholders equity	3,576,125		3,576,125
Total liabilities and stockholders equity	$ 4,572,068	$	$ 4,572,068

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CONDENSED CONSOLIDATED BALANCE SHEET
As of April 30, 2008

	As Previously Reported	Restatement Adjustments	As Restated
Current assets:			
Cash and cash equivalents	$ 3,709,136	$	$ 3,709,136
Prepaid expenses	52,873		52,873
Total current assets	3,762,009		3,762,009
Intangible assets	227,465		227,465
Goodwill	661,909		661,909
Total assets	$ 4,651,383	$	$ 4,651,383
Current liabilities:			
Accounts payable	$ 147,971	$	$ 147,971
Deferred revenue	504,622		504,622
Other accrued expenses	361,275		361,275
Total current liabilities	1,013,868		1,013,868
Commitments and contingencies			
Stockholders equity:			
Common stock	33,248		33,248
Additional paid-in capital	11,715,182	(595,839)	11,119,343
Accumulated deficit	(7,068,547)	(446,529)	(7,515,076)
Prepaid consulting fees	(1,042,368)	1,042,368	
Total stockholders equity	3,637,515		3,637,515
Total liabilities and stockholders equity	$ 4,651,383	$	$ 4,651,383

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Condensed Consolidated Statement of Operations
For the Three Months Ended July 31, 2008

	As Previously Reported	Restatement Adjustments	As Restated
Operating revenue:			
Personalized oncoloy services and preclinical contract review	$ 673,117	$	$ 673,117
Total operating revenue	673,117		673,117
Operating expenses:			
Research and development	217,163		217,163
Cost of personalized oncology services and preclinical contract review	259,600		259,600
General and administrative	384,552	(36,875)	347,677
Total operating expenses	861,315	(36,875)	824,440
Operating loss	(188,198)	36,875	(151,323)
Other income:			
Interest income	20,716		20,716
Loss before income taxes	(167,482)	36,875	(130,607)
Income taxes			
Net loss	$ (167,482)	$ 36,875	$ (130,607)
Loss per common share:			
Basic and diluted	$ (0.01)	$ 0.01	$ (0.00)
Shares used in calculating loss per common share:			
Basic and diluted	33,268,914	33,268,914	33,268,914

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CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
For the Three Months Ended July 31, 2007

	As Previously Reported	Restatement Adjustments	As Restated
Operating revenue:			
Personalized oncoloy services	$ 250,000	$	$ 250,000
Total operating revenue	250,000		250,000
Operating expenses:			
Research and development	75,000		75,000
Cost of personalized oncology services	80,562		80,562
General and administrative	91,229	59,309	150,538
Total operating expenses	246,791	59,309	306,100
Operating income (loss)	3,209	(59,309)	(56,100)
Other income:			
Interest income	5,359		5,359
Income (loss) before income taxes	8,568	(59,309)	(50,741)
Income taxes			
Net income (loss)	$ 8,568	$ (59,309)	$ (50,741)
Income (loss) per common share:			
Basic	$ 0.00	$ (0.00)	$ (0.00)
Diluted	$ 0.00	$ (0.00)	$ (0.00)
Shares used in calculating income (loss) per common share:			
Basic	30,842,049	30,842,049	30,842,049
Diluted	31,080,085	30,842,049	30,842,049

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Months Ended July 31, 2008

	As Previously Reported	Restatement Adjustments	As Restated
Cash flows from operating activities:			
Net loss	$ (167,482)	$ 36,875	$ (130,607)
Adjustments to reconcile net loss to net cash (used in) operating activities:			
Share based compensation expense	98,592	(36,875)	61,717
Changes in operating assets and liabilities:			
(Increase) in accounts receivable	(6,173)		(6,173)
(Increase) in prepaid expenses	(18,609)		(18,609)
(Increase) in prepaid contract expenses	(95,795)		(95,795)
Increase in accounts payable	41,035		41,035
Increase in deferred revenue	302,315		302,315
(Decrease) in other accrued expenses	(361,275)		(361,275)
Net cash (used in) operating activities	(207,392)		(207,392)
Cash flows from investing activities:			
Purchase of intangible assets	(14,372)		(14,372)
Net (used in) investing activities	(14,372)		(14,372)
Cash flows from financing activities:			
Proceeds from exercise of stock warrants	7,500		7,500
Net cash provided by financing activities	7,500		7,500
Net decrease in cash and cash equivalents	(214,264)	$	(214,264)
Cash and cash equivalents Beginning of period	3,709,136		3,709,136
Cash and cash equivalents End of period	$ 3,494,872		$ 3,494,872

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Months Ended July 31, 2007

	As Previously Reported	Restatement Adjustments	As Restated
Cash flows from operating activities:			
Net income (loss)	$ 8,568	$ (59,309)	$ (50,741)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Share based compensation expense	26,838	59,309	86,147
Changes in operating assets and liabilities:			
Increase in accounts payable	12,689		12,689
Increase in other accrued expenses	27,488		27,488
Net cash provided by operating activities	75,583		75,583
Cash flows from investing activities:			
Cash received in Biomerk, Inc. acquisition	471,377		471,377
Net provided by investing activities	471,377		471,377
Cash flows from financing activities:			
Payment of officers loan payable	(43,693)		(43,693)
Net cash (used in) financing activities	(43,693)		(43,693)
Net increase in cash and cash equivalents	503,267	$	503,267
Cash and cash equivalents Beginning of period	3,758		3,758
Cash and cash equivalents End of period	$ 507,025		$ 507,025

(3) 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. The following is a reconciliation of the computation for basic and diluted EPS for the three month periods ended July 31, 2008 and 2007:

	July 31, 2008	July 31, 2007
Net (loss)	$ (130,607)	$ (50,741)
Weighted-average common shares outstanding (basic and diluted)	33,268,914	30,842,049

(4) COMMITMENTS AND CONTINGENCIES

Operating leases

The Company leases, as tenant, space under an operating lease, which expires September 30, 2008. The Company also leases, as tenant, space under an operating lease which expires February 28, 2009.

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Rental expense during the three months ended July 31, 2008 and 2007 was $19,280 and $0, respectively.

(5) SHARE BASED COMPENSATION

The total share based compensation cost that was recognized in results of operations was $61,717 for the three months ended July 31, 2008. As of July 31, 2008, there was $576,700 unrecognized compensation cost related to share based compensation arrangements. The cost is expected to be recognized over a weighted average period of 2.69 years.

(6) 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 July 31, 2008 and April 30, 2008 deferred tax assets consist of the following:

	July 31, 2008	April 30, 2008
Deferred tax asset	$ 2,675,989	$ 2,630,277
Less: valuation allowance	(2,675,989)	(2,630,277)
Net deferred tax asset	$ -0-	$ -0-

At July 31, 2008 and April 30, 2008, the Company had federal net operating loss carryforwards in the approximate amounts of $7,645,683 and $7,515,076 available to offset future taxable income subject to Section 382 analysis limitations. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

(7) RELATED PARTY TRANSACTIONS

The Chairman of the Company participates in conducting and providing the Company s personalized oncology services. During the three months ended July 31, 2008, the Company paid compensation to the Chairman for these services which are provided in the ordinary course of business. The Company believes the compensation is on the same basis as if the same services were provided by unrelated parties. The Chairman of the Company is a director of certain companies which have entered into contracts for the Company to perform services. During the three months ended July 31, 2008, the Company recorded revenue of $12,345 from and had deferred revenue of $198,450 from these companies. All services provided under these contracts are in the ordinary course of business at prices and on terms and conditions that the Company believes are the same as those that would result from arm s length negotiations between unrelated parties.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

As used in this Quarterly Report 10-Q/A, Champions Biotechnology, Champions, we, ours, and us refer to Char Biotechnology, Inc., except where the context otherwise requires or as otherwise indicated.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (Securities Act) and Section 21E of the Securities Exchange Act of 1934 (Exchanges Act) that inherently involve risk and uncertainties. The Company generally uses words such as believe, may, could, will, intend, estimate, ex anticipate, plan, likely, promise and similar expressions to identify forward-looking statements. One should not pla undue reliance on these forward-looking statements. The Company s actual results could differ materially from those anticipated in the forward-looking statements for many unforeseen factors, which may include, but are not limited to, changes in general economic conditions, the ongoing threat of terrorism, ability to have access to financing sources on reasonable terms and other risks. Those risks include, but are not limited to, the risks identified in our periodic reports filed with the Securities and Exchange Commission, including our most recent Annual Report on form 10-KSB. Although the Company believes the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made, and the Company s future results, levels of activity, performance or achievements may not meet these expectations. The Company does not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in the Company s expectations, except as required by law.

Restatement

The Company has restated its condensed consolidated financial statements as of July 31, 2008 and April 30, 2008 and for the three month periods ended July 31, 2008 and 2007.

This restatement arose when the Company identified an error in its accounting for stock based compensation related to stock options issued to non-employees for consulting services. Previously, the Company recognized a contra equity account called prepaid consulting for the fair value of the unvested stock based compensation awards. This prepaid consulting balance was amortized to compensation expense over the options vesting term. Additionally, when certain non-employees were hired as permanent employees, no modification to the accounting for their previously issued stock based compensation award was considered. Finally, the Company considered the grant date to be the measurement date for options awards issued to non-employees when no performance commitment existed. Upon further review and analysis of the relevant accounting literature related to stock based compensation, we determined the balance sheet should not present the fair value of the unvested portion of awards issued to non-employees as the awards were not fully vested when granted. Additionally, as no performance commitment existed as of the grant date, the measurement date related to non-employee stock option grants should have been measured at the date the non-employees performance was completed, or over the respective options vesting term. Lastly, when non-employees, who had previously received stock options, were hired as permanent employees, the unvested compensation should have been recognized as stock based compensation expense ratably over the remaining vesting period on a prospective basis.

Note 2 to our restated condensed consolidated financial statements describes the nature of the restatement adjustments and details the impact of the restatement on our condensed consolidated financial statements as of July 31, 2008 and April 30, 2008 and the three month periods ended July 31, 2008 and 2007.

Overview

The Company is engaged in the development of advanced preclinical platforms and predictive tumor specific data to enhance and accelerate the value of oncology drugs. The Company s Preclinical Platform is a novel approach based upon the implantation of primary human tumors in immune deficient mice followed by propagation of the resulting xenografts (Biomerk Tumorgrafts) in a manner that preserves the biological characteristics of the original human tumor. The Company believes that Biomerk Tumorgrafts closely reflect human cancer biology and their response to drugs is more predictive of clinical outcomes in cancer patients. The Company is building its Biomerk Tumorgraft platform through the procurement, development and characterization of numerous Tumorgrafts within each of several cancer types. Tumorgrafts are procured through agreements with institutions in the United States and Europe and developed and tested through agreement with a U.S. based preclinical facility.

We intend to leverage our preclinical platform to evaluate oncology drug candidates and to develop a portfolio of novel drug candidates through pre-clinical trials. As drugs progress through this early stage of development, the Company plans to sell, partner or license them to pharmaceutical and/or biotechnology companies, as appropriate. We believe this strategy will enable the Company to leverage the competencies of these partners or licensees to maximize the Company s return on investment in a time frame that is shorter than for traditional drug development. The Company believes that this model is unlike that of many new biotechnology companies that look to bring the process of drug development through all phases of discovery, development, regulatory approvals, and marketing, which requires a very large financial commitment and a long development period, typically more than a decade, to commercialize. Thus far we have acquired two oncology drug candidates and we have begun preclinical development of the most promising candidate, SG410, through the use of contract facilities. We have secured preclinical supply of SG410 and it is our intention to develop a soluble form of the compound and evaluate its efficacy in Biomerk Tumorgrafts from several cancer types. If results are promising it is our intention to continue preclinical development and then sell, partner or license SG410 for its remaining clinical development.

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The Company also offers its Biomerk Tumorgraft predictive preclinical platform and tumor specific data to physicians to provide information that may enhance personalized patient care options and to companies for evaluation of oncology drugs in a platform that integrates predictive testing with biomarker discovery. We provide personalized oncology services to physicians in the field of oncology by establishing and administering expert medical information panels for their patients to analyze medical records and test results, to assist in understanding conventional and research options and to identify and arrange for testing, analysis and study of cancer tissues, as appropriate. In fiscal 2008, the Company generated all its revenue from its growing personalized oncology services while we continued development of our Biomerk Tumorgraft platform.

In late fiscal year 2008, as we expanded our number of Biomerk Tumorgraft models, we began to offer leading pharmaceutical and biotechnology companies the benefits of our Biomerk Tumorgrafts for their preclinical evaluation programs. We provide preclinical eValuation services that we believe are more predictive of clinical outcomes and that might provide for a faster and less expensive path for drug approval. These services utilize Biomerk Tumorgrafts to evaluate tumor sensitivity/resistance to various single and combination standard and novel chemotherapy agents. The preclinical eValuation services we offer also include biomarker discovery and the identification of novel drug combinations. In the fourth quarter of fiscal year 2008 the Company established an agreement with ImClone Systems Incorporated (ImClone) for the preclinical evaluation of certain therapeutic antibodies in ImClone s clinical development pipeline. As part of the agreement, ImClone will utilize our Biomerk Tumorgrafts in the initial preclinical evaluation.

Once we enter into an agreement with a pharmaceutical or biotechnology company to perform Biomerk testing services it takes several months to propagate the Tumorgrafts prior to beginning the drug testing. In the first quarter of fiscal 2009 we began the initial testing under one of our contracts. We are currently providing services or in discussions to provide services to a number of other companies.

Results of Operations

Three Months Ended July 30, 2008 and 2007

Revenues. For the three months ended July 31, 2008, the Company s operating revenue was $673,117. For the three months ended July 31, 2007, the operating revenue was $250,000. The Company primarily derived its revenue from its personalized oncology business which provides services to assist physicians by providing information that may enhance personalized treatment options for their cancer patients through access to expert medical information panels and tumor specific data. Revenues are also derived from the Company s Preclinical eValuation business which offers the benefits of its Preclinical Platform to pharmaceutical and biotechnology companies using Biomerk Tumorgraft studies which have been shown to be predictive of how drugs perform in clinical settings. The Company began to generate revenue from its Preclinical eValuation business in the first quarter of fiscal 2009 as it completed a small portion of one study for one of its contractual customers during the quarter; that study and others continue and are in progress. Expectations for growth in the future are from continued personalized oncology services and expected increased use of our preclinical eValuation services. The Company s revenue is described as personalized oncology and preclinical contract revenue in the Condensed Consolidated Statements of Operations.

At July 31, 2008, the Company had deferred revenue of $806,937 which represents payments in advance on future operations which will be recognized as earned when operations are performed. At July 31, 2007, the Company had no deferred revenue.

Expenses (Restated). For the three months ended July 31, 2008, the operating expenses for the Company were $824,440 compared to $306,100 for the three months ended July 31, 2007.

Research and development expenses

For the three months ended July 31, 2008, research and development expenses were $217,163 compared to $75,000 for the three months ended July 31, 2007. The increase of $142,163 or 190% was primarily a result of the increase in Tumorgrafts acquired and their propagation, characterization and development for future utilization in preclinical studies. Increases also resulted from preclinical development expenses for the Company s lead oncology drug candidate, SG410.

Cost of personalized oncology and preclinical contract services

For the three months ended July 31, 2008, the costs of personalized oncology and preclinical contract services were $259,600 compared to $80,562 for the three months ended July 31, 2007. The increase of $179,038 or 222% was primarily for increased costs of conducting the Company s personalized oncology services, including medical information panels and personalized tumorgrafts, but also include due to higher costs related to preclinical evaluation studies in progress under contract.

General and administrative expenses (Restated)
For the three months ended July 31, 2008, general and administrative expenses were $347,677, compared to $150,538 at July 31, 2007. The increase of $197,139 or 131% was related to increased activities as the Company built and grew its infrastructure including the addition of personnel, consultants, offices and other resources to facilitate current and future growth.
Expenses are expected to increase in the future, commensurate with the Company s increased levels of activity and growth.
Net Loss (Restated). For the three months ended July 31, 2008, the Company s net loss was $130,607 and the net loss for the three months ended July 31, 2007 was $50,741. In the quarter ended July 31, 2008, the Company increased investments to grow its preclinical platform, increase revenues from its personalized oncology and preclinical eValuation businesses and began preclinical development of its oncology drug candidate, SG410. The Company began its operations as a biotechnology company in the quarter ended July 31, 2007 after it acquired Biomerk, Inc. in May 2007.
Liquidity and Capital Resources
The Company s cash position on July 31, 2008, was $3,494,872 compared to $3,709,136 on April 30, 2008. For the three months ended July 31, 2008, the net cash used by operating activities was $207,392.
The Company s working capital as of July 31, 2008 was $2,672,380 compared to $2,748,141 at April 30, 2008.
The Company believes it has sufficient resources to provide for the next twelve months of operations based on its current level of expenditure, its anticipated level of future expenditure and revenue growth and its ability to curtail expenditures if needed.
Critical Accounting Policies
In the notes to our Annual Report on Form 10-KSB/A for the year ended April 30, 2008, we discussed those accounting policies that are considered to be significant in determining the results of operations and our financial position. We believe that the accounting principles utilized by us conform to accounting principles generally accepted in the United States of America.
Item 3. Quantitative and Qualitative Disclosures About Market Risk
None.
Item 4. Controls and Procedures
Management of the Company is responsible for establishing and maintaining adequate disclosure controls and procedures and for the assessment of the effectiveness of disclosure controls and procedures. The Company s disclosure controls and procedures is a process designed under the supervision of the Company s chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with United States generally accepted accounting principles (U.S. GAAP).
Our Principal Executive Officer and Chief Financial Officer have concluded that during the period covered by this report, such internal control over financial reporting were not effective as more fully described below. This was due to deficiencies that existed in the design or operation of our internal control over financial reporting that adversely affected our disclosure controls and that may be considered material weaknesses . The Public Company Accounting Oversight Board has defined a material weakness as a deficiency, or combination of deficiencies, in internal control over financial reporting (ICFR) such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis by the company s ICFR.
The material weaknesses identified in our internal control over financial reporting and disclosure controls relate to the following:
Our auditors identified a material weakness which consisted primarily of inadequate staffing and supervision that could lead to the untimely identification and resolution of accounting and disclosure matters and failure to perform timely and effective reviews.
The second material weakness related to our accounting for stock-based compensation under SFAS 123R and EITF 96-18, where the Company improperly calculated the measurement date for non-employees of the Company and we

did not take into consideration changes in employee status. In addition, we misclassified the fair value of the unvested portion of non-employee awards as a contra equity account called prepaid consulting.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable assurances with respect to financial statement preparation and presentation. In addition, any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions in the future.

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Remediation of Material Weaknesses

In light of the conclusion that our Company s internal control over financial reporting was not effective, our management has developed a plan intended to remediate such ineffectiveness and to strengthen our internal controls over financial reporting through the implementation of certain remedial measures, which include:

1) Continue enhancing our U.S. GAAP training program for our existing personnel.

2) Hiring of an Assistant Controller to directly handle the day to day accounting functions of the company.

3) The licensing of a SFAS 123R software program to assist in the proper accounting for stock based compensation.

We will continue these efforts until we are satisfied that all material weaknesses have been eliminated. We expect that resolution of all of these issues will take place in fiscal 2010.

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PART II-OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

Exhibit No.	
31.1	Rule 13a-14(a)/15d-14(a) Certification of President and Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certifications

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHAMPIONS BIOTECHNOLOGY, INC.
(Registrant)

Date: August 26, 2009

By: /s/ Douglas D. Burkett
Douglas D. Burkett
President and Principal Executive Officer

By: /s/ Mark R. Schonau
Mark R. Schonau
Chief Financial Officer

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EXHIBIT INDEX

Exhibit No.	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of President and Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certifications