Investor and there was no advertising or public solicitation performed in connection with the offering. The sale of the Units was also exempt from registration pursuant to Rule 506 of the Securities and Exchange Commission, since the sales satisfied all of the conditions specified in SEC Rules 501 and 502 and each of the investors had such knowledge and experience in financial and business matters that the investor was capable of evaluating the merits and risks of the investment.

(e) Purchases of equity securities

The Company did not repurchase any of its equity securities that were registered under Section 12 of the Securities Exchange Act during the 2nd quarter of fiscal 2007.

Item 3 Defaults upon Senior Securities

Hebei Aoxing Pharmaceutical Group, Inc., the operating subsidiary of China Aoxing, is in default in its obligation to satisfy a debt of $3,012,700 that was due to the Bank of China on December 31, 2006. Hebei Aoxing is in active discussions with the Bank of China regarding the loan, and expects to reach agreement on refinancing terms before the end of the current quarter.

Item 5 Other Information

Modification of Stock Purchase Agreement

In September 2006 China Aoxing entered into an agreement with its Chairman, Yue Zhenjiang, which contemplates that China Aoxing will purchase an additional 35% interest in Hebei Aoxing from Mr. Yue for a price of $3,080,000. In January 2007 China Aoxing and Mr. Yue agreed to modify the terms of the agreement. As modified, the agreement provides that the purchase price for the 35% interest will be $3,080,000, consisting of $1,280,000 in cash and a long-term promissory note for $1,800,000. The note will bear interest at 5.6% per annum. Principal and interest on the note will be payable only from positive cash flow from operations and will not be payable within the first year after the note is issued. Principal and interest will be payable in cash or equity at the option of China Aoxing. China Aoxing's obligations under the note will be subordinated to other debt. The acquisition will take place when China Aoxing has raised $5,000,000 from the sale of equity. If that has not occurred prior to September 14, 2007, the acquisition agreement will terminate.

Consulting Agreement

In February 2007, Hebei Aoxing entered into a two-year financial and strategic business consulting agreement with Warner Technology and Investment Group (WTI), which is to be effective on April 1, 2007. The new two-year agreement provides that WTI will (1) assist the Company's development in the US capital market. (2) assist the Company in developing international drugs for the China market, and (3) advise the Company regarding the introduction of its products into the international market. The relationship and appropriate compensation for WTI's services will be reviewed by the two parties regularly, and WTI will be compensated on a quarterly basis either by cash or by China Aoxing's equity. If the decision is made to compensate WTI with