

CHINA AOXING PHARMACEUTICAL CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)

	Year ended June 30,	
	2009	2008
SALES	\$ 8,941,907	\$ 7,065,015
COST OF SALES	<u>5,135,661</u>	<u>3,834,982</u>
GROSS PROFIT	<u>3,806,246</u>	<u>3,230,033</u>
COSTS AND EXPENSES:		
Research and development expense	722,567	700,202
General and administrative expenses	3,804,296	4,001,282
Bad Debt expenses	1,461,789	-
Selling expenses	1,480,118	1,449,909
Depreciation and amortization	340,541	657,606
TOTAL COSTS AND EXPENSES	<u>7,809,311</u>	<u>6,808,999</u>
LOSS FROM OPERATIONS	<u>(4,003,065)</u>	<u>(3,578,966)</u>
OTHER INCOME (EXPENSE):		
Interest expense	(1,919,143)	(2,514,840)
Change in fair value of warrant and derivative liabilities	627,183	8,547,374
Gain on foreign currency transactions	203,037	677,365
Impairment loss	(2,345,420)	-
Forgiveness of debt	1,461,299	-
TOTAL OTHER INCOME (EXPENSE)	<u>(1,973,044)</u>	<u>6,709,899</u>
INCOME (LOSS) BEFORE MINORITY INTEREST AND INCOME TAXES	<u>(5,976,109)</u>	<u>3,130,933</u>
Minority interest in (income) losses of subsidiary	-	515,926
INCOME (LOSS) BEFORE INCOME TAXES	<u>(5,976,109)</u>	<u>3,646,859</u>
Income taxes (credit)	3,281,059	-
NET INCOME (LOSS)	<u>(2,695,050)</u>	<u>3,646,859</u>
OTHER COMPREHENSIVE INCOME (LOSS) :		
Foreign currency translation adjustment	(159,874)	239,483
COMPREHENSIVE INCOME (LOSS)	<u>(2,854,924)</u>	<u>3,886,342</u>
BASIC AND DILUTED	<u>(0.03)</u>	<u>0.08</u>