

BODISEN BIOTECH, INC  
Form 10-Q  
November 21, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q  
(Mark One)

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

For the quarterly period ended: September 30, 2011

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-32616

BODISEN BIOTECH, INC.  
(Exact name of small business issuer as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

98-0381367  
(I.R.S. Employer Identification No.)

Room 2001, FanMei Building  
No. 1 Naguan Zhengjie  
Xi'an, Shaanxi  
People's Republic of China  
(Address of Principal Executive Offices)

710068  
(Zip Code)

852-2482-5168  
(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 Exchange Act 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  No

Indicate by check mark 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 (§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  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.

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Large accelerated filer.

Accelerated filer.

Non-accelerated filer.  (Do not check if a smaller reporting company)

Smaller reporting company.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares outstanding of each of the issuer's classes of common stock as of November 14, 2011:  
21,510,250.

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## ITEM 1.

## BODISEN BIOTECH, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

|  | September 30,<br>2011<br>(unaudited) | December 31,<br>2010<br>(audited) |
|--|--------------------------------------|-----------------------------------|
| <b>ASSETS</b>  |                                      |                                   |
| <b>CURRENT ASSETS:</b>   |                                      |                                   |
| Cash   | \$ 948,137                           | \$ 3,675,209                      |
| Accounts receivable and other receivable, net of allowance for doubtful accounts of \$91,026 and \$1,005,992 | 2,767,231                            | 4,499,673                         |
| Other receivables  | 12,255                               | 9,185                             |
| Note receivable  | 1,407,600                            | 1,517,000                         |
| Inventory  | 3,596,317                            | 1,198,134                         |
| Advances to suppliers  | 1,153,215                            | 665,765                           |
| Prepaid expense and other current assets   | 8,351                                | 8,598                             |
| <b>Total current assets</b>  | <b>9,893,106</b>                     | <b>11,573,564</b>                 |
| PROPERTY AND EQUIPMENT, net  | 22,382,307                           | 22,870,340                        |
| MARKETABLE SECURITY, AVAILABLE-FOR-SALE  | 1,009,295                            | 8,780,867                         |
| INTANGIBLE ASSETS, net   | 4,852,772                            | 4,813,409                         |
| <b>TOTAL ASSETS</b>  | <b>\$ 38,137,480</b>                 | <b>\$ 48,038,180</b>              |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                      |                                   |
| <b>CURRENT LIABILITIES:</b>  |                                      |                                   |
| Accounts payable   | \$ 1,260,035                         | \$ 1,256,681                      |
| Accrued expenses   | 63,890                               | 811,181                           |
| Deferred revenue   | 409,404                              | 1,615,865                         |
| Note payable   | 1,407,600                            | -                                 |
| <b>Total current liabilities</b>   | <b>3,140,929</b>                     | <b>3,683,727</b>                  |
| Long-term note payable   | -                                    | 1,517,000                         |
| <b>TOTAL LIABILITIES</b>   | <b>3,140,929</b>                     | <b>5,200,727</b>                  |
| <b>STOCKHOLDERS' EQUITY:</b>   |                                      |                                   |
| Preferred stock, \$0.0001 per share; authorized 5,000,000 shares; nil issued and outstanding                 | -                                    | -                                 |
| Common stock, \$0.0001 per share; authorized 30,000,000 shares; issued and outstanding 21,510,250            | 2,151                                | 2,151                             |
| Additional paid-in capital   | 35,345,542                           | 35,345,542                        |

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|   |                      |                      |
|---|----------------------|----------------------|
| Accumulated other comprehensive income            | 8,503,932            | 15,225,304           |
| Statutory reserve                                 | 4,314,488            | 4,314,488            |
| Retained Earnings                                 | (13,169,562 )        | (12,050,032 )        |
| Total stockholders' equity                        | 34,996,551           | 42,837,453           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> | <b>\$ 38,137,480</b> | <b>\$ 48,038,180</b> |

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

BODISEN BIOTECH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS AND  
OTHER COMPREHENSIVE INCOME (LOSS)

|  | Three Months Ended September<br>30, |                     | Nine Months Ended September<br>30, |                     |
|--|-------------------------------------|---------------------|------------------------------------|---------------------|
|  | 2011<br>(unaudited)                 | 2010<br>(unaudited) | 2011<br>(unaudited)                | 2010<br>(unaudited) |
| Revenue  | \$ 1,781,006                        | \$ 2,209,724        | \$ 4,222,293                       | \$ 5,661,715        |
| Cost of revenue                                      | 1,378,949                           | 1,559,565           | 2,417,093                          | 4,224,164           |
| Gross profit   | 402,057                             | 650,159             | 1,805,200                          | 1,437,551           |
| Operating expenses                                   |                                     |                     |                                    |                     |
| Selling expenses                                     | 87,935                              | 25,835              | 802,109                            | 372,021             |
| General and administrative expenses                  | 1,127,763                           | 956,675             | 2,176,280                          | 2,418,410           |
| Total operating expenses                             | 1,215,698                           | 982,510             | 2,978,389                          | 2,790,431           |
| Loss from operations                                 | (813,641 )                          | (332,351 )          | (1,173,189 )                       | (1,352,880 )        |
| Non-operating income (expense):                      |                                     |                     |                                    |                     |
| Other income (expense)                               | (349 )                              | (61,531 )           | (2,858 )                           | (81,372 )           |
| Interest income                                      | 61,181                              | 5,826               | 167,907                            | 13,712              |
| Interest expense                                     | (39,798 )                           | (40,438 )           | (111,390 )                         | (61,561 )           |
| Loss on disposal of property and equipment           | -                                   | (10,297 )           | -                                  | (10,297 )           |
| Total non-operating income                           | 21,034                              | (106,440 )          | 53,659                             | (139,518 )          |
| Net loss   | (792,607 )                          | (438,791 )          | (1,119,530 )                       | (1,492,398 )        |
| Other comprehensive income (loss)                    |                                     |                     |                                    |                     |
| Foreign currency translation gain (loss)             | 379,542                             | 653,271             | 1,050,200                          | 821,389             |
| Unrealized gain (loss) on marketable equity security | (1,029,481 )                        | 201,859             | (7,771,572 )                       | 1,312,083           |
| Comprehensive income (loss)                          | \$ (1,442,546 )                     | \$ 416,339          | \$ (7,840,902 )                    | \$ 641,074          |
| Weighted average shares outstanding :                |                                     |                     |                                    |                     |
| Basic  | 21,510,250                          | 18,710,250          | 21,510,250                         | 18,710,250          |
| Diluted  | 21,510,250                          | 18,710,250          | 21,510,250                         | 18,710,250          |
| Loss per share:                                      |                                     |                     |                                    |                     |
| Basic  | \$ (0.04 )                          | \$ (0.02 )          | \$ (0.05 )                         | \$ (0.08 )          |
| Diluted  | \$ (0.04 )                          | \$ (0.02 )          | \$ (0.05 )                         | \$ (0.08 )          |

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



BODISEN BIOTECH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Nine Months Ended September<br>30, |                     |
|---|------------------------------------|---------------------|
|   | 2011<br>(unaudited)                | 2010<br>(unaudited) |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                                    |                     |
| Net loss  | \$ (1,119,530 )                    | \$ (1,492,398 )     |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                    |                     |
| Depreciation and amortization   | 1,303,572                          | 757,672             |
| Allowance for of bad debts/write offs                                       | 662,288                            | 897,017             |
| (Increase) / decrease in assets:  |                                    |                     |
| Accounts receivable   | 1,204,777                          | (3,366,551 )        |
| Other receivables   | (2,778 )                           | 3,815               |
| Inventory   | (2,355,023 )                       | (1,396,400 )        |
| Advances to suppliers   | (465,629 )                         | 337,168             |
| Prepaid expense   | 513                                | 960,100             |
| Increase / (decrease) in current liabilities:                               |                                    |                     |
| Accounts payable  | (35,167 )                          | 1,464,814           |
| Accrued expenses  | (88,195 )                          | 62,933              |
| Deferred revenue  | (1,253,311 )                       | 438,646             |
| Other payables  | (681,923 )                         | 55,673              |
| Net cash used in operating activities                                       | (2,830,406 )                       | (1,277,511 )        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                                    |                     |
| Acquisition of property and equipment                                       | (538 )                             | (4,292 )            |
| Increase in construction in progress  | -                                  | (14,710 )           |
| Payment on note receivable  | 156,000                            | -                   |
| Issuance of note receivable   | -                                  | (1,471,000 )        |
| Net cash provided by (used in) investing activities                         | 155,462                            | (1,490,002 )        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                 |                                    |                     |
| Proceeds from issuance of note payable                                      | -                                  | 1,471,000           |
| Payment on note payable   | (156,000 )                         | -                   |
| Net cash provided by (used in) financing activities                         | (156,000 )                         | 1,471,000           |
| Effect of exchange rate changes on cash and cash equivalents                | 103,872                            | 75,734              |
| <b>NET DECREASE IN CASH</b>   | <b>(2,727,072 )</b>                | <b>(1,220,779 )</b> |
| <b>CASH, BEGINNING OF PERIOD</b>  | <b>3,675,209</b>                   | <b>4,824,135</b>    |
| <b>CASH, END OF PERIOD</b>  | <b>\$ 948,137</b>                  | <b>\$ 3,603,356</b> |



SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

|                   |            |      |
|-------------------|------------|------|
| Interest paid     | \$ 111,005 | \$ - |
| Income taxes paid | \$ -       | \$ - |

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

#### Note 1 - Organization and Basis of Presentation

The unaudited consolidated financial statements have been prepared by Bodisen Biotech, Inc., a Delaware corporation (the "Company" or "Bodisen"), pursuant to the rules and regulations of the Securities Exchange Commission ("SEC"). The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K. The results for the nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the full year ending December 31, 2011.

#### Organization and Line of Business

The accompanying consolidated financial statements include the accounts of Bodisen Biotech, Inc., its 100% wholly-owned subsidiaries Bodisen Holdings, Inc. (BHI), Yang Ling Bodisen Agricultural Technology Co., Ltd ("Agricultural"), which was incorporated in March 2005, and Sinkiang Bodisen Agriculture Material Co., Ltd. ("Material"), which was incorporated in June 2006, as well as the accounts of Agricultural's 100% wholly-owned subsidiary Yang Ling Bodisen Biology Science and Technology Development Company Limited ("BBST"). The Company is engaged in developing, manufacturing and selling organic fertilizers, liquid fertilizers, pesticides and insecticides in the People's Republic of China and produces numerous proprietary product lines, from pesticides to crop-specific fertilizers. The Company markets and sells its products to distributors throughout the People's Republic of China, and these distributors, in turn, sell the products to farmers.

#### Note 2 – Summary of Significant Accounting Policies

##### Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. All significant intercompany transactions and balances have been eliminated. The Company's functional currency is the Chinese Yuan Renminbi ("RMB"); however the accompanying consolidated financial statements have been translated and presented in United States Dollars (\$) or "USD".

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. It is possible that accounting estimates and assumptions may be material to the Company due to the levels of subjectivity and judgment involved.

##### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

##### Accounts Receivable

The Company maintains reserves for potential credit losses for accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Reserves are recorded based on the Company's historical collection history.

### Advances to Suppliers

The Company advances to certain vendors for purchase of its material. The advances to suppliers are interest free and unsecured.

### Inventories

Inventories are valued at the lower of cost (determined on a weighted average basis) or market.

### Property & Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method for substantially all assets with estimated lives of:

|                     |          |
|---------------------|----------|
| Operating equipment | 10 years |
| Vehicles            | 8 years  |
| Office equipment    | 5 years  |
| Buildings           | 30 years |

The following are the details of the property and equipment at September 30, 2011 and December 31, 2010, respectively:

|                               | September 30,<br>2011 | December 31,<br>2010 |
|-------------------------------|-----------------------|----------------------|
| Operating equipment           | \$ 10,498,686         | \$ 10,181,140        |
| Vehicles                      | 620,067               | 617,703              |
| Office equipment              | 102,008               | 98,420               |
| Buildings                     | 15,481,277            | 15,016,045           |
|                               | 26,702,038            | 25,913,308           |
| Less accumulated depreciation | (4,319,731 )          | (3,042,968 )         |
| Property and equipment, net   | \$ 22,382,307         | \$ 22,870,340        |

Depreciation expense for the three and nine months ended September 30, 2011 and 2010 was \$411,039 and \$1,194,085 and \$201,344 and \$592,870, respectively.

### Marketable Securities

The Company applies the guidance of ASC Topic 320 "Investments-Debt and Equity Securities," which requires investments in equity securities to be classified as either trading securities or available-for-sale securities. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Marketable equity securities not classified as trading are classified as available for sale, and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in shareholders' equity.

### Long-Lived Assets

The Company applies the provisions of ASC Topic 360, "Property, Plant, and Equipment," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair values are reduced for the cost of disposal. Based on its review, the Company believes that as of September 30, 2011 and December 31, 2010, there was no impairment of its long-lived assets.

## Intangible Assets

Intangible assets consist of Rights to use land and Fertilizers proprietary technology rights. The Company follows ASC Topic 350 in accounting for intangible assets, which requires impairment losses to be recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by the assets are less than the assets' carrying amounts. There were no impairment losses recorded on intangible assets for the three and nine months ended September 30, 2011 and 2010.

## Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, other receivables, notes receivable, inventory, advances to suppliers, prepaid and other current assets, accounts payable, accrued expenses, and deferred revenue, the carrying amounts approximate their fair values due to their short maturities. In addition, the Company has a note payable with financial institutions. The carrying amount of note payable approximates its fair values based on current rates of interest for instruments with similar characteristics.

## Fair Value Measurements

ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Company. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities from Equity," and ASC 815.

The following table represents our assets and liabilities by level measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010.

September 30, 2011

| Description           | Level 1      | Level 2 | Level 3 |
|-----------------------|--------------|---------|---------|
| <b>Assets</b>         |              |         |         |
| Marketable securities | \$ 1,009,295 | \$ -    | \$ -    |

December 31, 2010

| Description           | Level 1      | Level 2 | Level 3 |
|-----------------------|--------------|---------|---------|
| <b>Assets</b>         |              |         |         |
| Marketable securities | \$ 8,780,867 | \$ -    | \$ -    |



The Company did not identify any other non-recurring assets and liabilities that are required to be presented in the consolidated balance sheets at fair value in accordance with ASC 825.

#### Revenue Recognition

The Company's revenue recognition policies are in compliance with Staff accounting bulletin (SAB) 104. Because collection is not reasonably assured, sales revenue is recognized using the cost recovery method. Under the cost recovery method, no profit is recognized until collections exceed the cost of the goods sold. Profit not yet recognized is recorded as deferred revenue as a current liability.

#### Advertising Costs

The Company expenses the cost of advertising as incurred or, as appropriate, the first time the advertising takes place. For the nine months ended September 30, 2011 and 2010, the Company incurred advertising expenses of \$715,650 and \$334,290, respectively. For the three months ended September 30, 2011 and 2010, the Company incurred advertising expenses of \$25,740 and \$5,644, respectively.

#### Shipping and Handling Costs

Shipping and handling costs consist primarily of transportation charges for delivery of goods to customers and are included in selling, general and administrative expenses. The Company expenses all shipping cost when they are incurred. For the nine months ended September 30, 2011 and 2010, the Company incurred transportation charges of \$3,264 and \$4,186, respectively. For the three months ended September 30, 2011 and 2010, the Company incurred no transportation charges.

#### Stock-Based Compensation

The Company records stock-based compensation in accordance with ASC Topic 718, "Compensation – Stock Compensation." ASC 718 requires companies to measure compensation cost for stock-based employee compensation at fair value at the grant date and recognize the expense over the employee's requisite service period. The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees. The Company recognizes in the statement of operations the fair value at the vesting date for stock options and other equity-based compensation issued to non-employees. There were 400,000 options outstanding as of September 30, 2011.

#### Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, "Income Taxes." ASC 740 requires a company to use the asset and liability method of accounting for income taxes, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all of, the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no effect on the Company's



consolidated financial statements.

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## Foreign Currency Translation

The accounts of the Company's Chinese subsidiaries are maintained in the RMB and the accounts of the U.S. parent company are maintained in the USD. The accounts of the Chinese subsidiaries are translated into USD in accordance with Accounting Standards Codification ("ASC") Topic 830 "Foreign Currency Matters," with the RMB as the functional currency for the Chinese subsidiaries. According to Topic 830, all assets and liabilities were translated at the exchange rate on the balance sheet date, stockholders' equity is translated at historical rates and statement of operations items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are reported under other comprehensive income in accordance with ASC Topic 220, "Comprehensive Income." Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the statement of operations.

## Foreign Currency Transactions and Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain statements, however, require entities to report specific changes in assets and liabilities, such as gain or loss on foreign currency translation, as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income. The functional currency of the Company's Chinese subsidiaries is the Chinese Yuan Renminbi. Translation gains of \$10,324,369 and \$9,274,169 at September 30, 2011 and December 31, 2010, respectively are classified as an item of other comprehensive income in the stockholders' equity section of the consolidated balance sheet. During the three and nine months ended September 30, 2011 other comprehensive income in the consolidated statements of operations and other comprehensive income included translation gains (loss) of \$379,542 and \$1,050,200, and unrealized (loss) on marketable equity security of \$(1,029,481) and \$(7,771,572), respectively. During the three and nine months ended September 30, 2010 other comprehensive income in the consolidated statements of operations and other comprehensive income included translation gains of \$653,271 and \$821,389, and unrealized gain on marketable equity security of \$201,839 and \$1,312,083, respectively. A detail of accumulated other comprehensive income is summarized below:

|                             | Foreign<br>Currency | Unrealized<br>Gain (loss) | Total<br>Other<br>Comprehensive<br>Income |
|-----------------------------|---------------------|---------------------------|---|
| Balance, December 31, 2010  | 9,274,169           | 5,951,135                 | 15,225,304                                |
| Adjustments                 | 1,050,200           | (7,771,572)               | (6,721,372)                               |
| Balance, September 30, 2011 | \$ 10,324,369       | \$ (1,820,437)            | \$ 8,503,932                              |

## Basic and Diluted Earnings Per Share

Earnings per share is calculated in accordance with the ASC Topic 260, "Earnings Per Share." Basic earnings per share is based upon the weighted average number of common shares outstanding. Diluted earnings per share is based on the assumption that all dilutive convertible shares and stock warrants were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. There were 400,000 options as of September 30, 2011 and 2010 that were excluded from the diluted loss per share calculation due to their exercise price being greater than the Company's average stock price for the year.

## Statement of Cash Flows

In accordance with ASC Topic 230, "Statement of Cash Flows," cash flows from the Company's operations are calculated based upon the local currencies using the average translation rates. As a result, amounts related to assets and liabilities reported on the consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets.

## Segment Reporting

ASC Topic 280, "Segment Report," requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. ASC Topic 280 has no effect on the Company's consolidated financial statements as the Company consists of one reportable business segment. All revenue is from customers in People's Republic of China and all of the Company's assets are located in People's Republic of China.

## Recent Accounting Pronouncements

In May 2011, the FASB issued guidance to amend certain measurement and disclosure requirements related to fair value measurements to improve consistency with international reporting standards. This guidance is effective prospectively for public entities for interim and annual reporting periods beginning after December 15, 2011, with early adoption by public entities prohibited. The Company is currently evaluating this guidance, but does not expect its adoption will have a material effect on its consolidated financial statements.

In June 2011, the FASB issued new guidance on the presentation of comprehensive income that will require a company to present components of net income and other comprehensive income in one continuous statement or in two separate, but consecutive statements. There are no changes to the components that are recognized in net income or other comprehensive income under current GAAP. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, with early adoption permitted. The Company is currently evaluating this guidance, but does not expect its adoption will have a material effect on its consolidated financial statements.

In September 2011, the FASB issued amended accounting guidance related to goodwill impairment testing. The new guidance provides the option to perform a qualitative assessment by applying a more likely than not scenario to determine whether the fair value of a reporting unit is less than its carrying amount, which may then allow a company to skip the annual two-step quantitative goodwill impairment test depending on the determination. The amended guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Earlier adoption is permitted. Management does not expect the adoption of the amended guidance to have a material impact on the Company's consolidated financial statements.

## Note 3 – Note Receivable

The note receivable is unsecured; bears interest at 9.1% per annum and originally due on March 25, 2011, but extended to January 31, 2012.

## Note 4 – Inventory

Inventory at September 30, 2011 and December 31, 2010 consisted of the following:

|                | September<br>30,<br>2011 | December 31,<br>2010 |
|----------------|--------------------------|----------------------|
| Raw materials  | \$ 2,304,473             | \$ 563,088           |
| Packaging      | 138,712                  | 45,288               |
| Finished goods | 1,153,132                | 589,758              |
|                | \$ 3,596,317             | \$ 1,198,134         |



## Note 5 – Marketable Security

During 2008, the Company exchanged \$3,291,264 of receivables for a 28.8% ownership interest in a Chinese company, Shanxi Jiali Pharmaceutical Co. Ltd (“Jiali”). The Company had written down the value of this investment by \$987,860 at December 31, 2008. This investment was originally accounted for under the equity method and the Company recorded equity income in this investment through September 30, 2009. During the fourth quarter of 2009, Jiali was purchased by China Pediatric Pharmaceuticals, Inc. (“China Pediatric”), a public company. After the transaction, the Company owned 18.8% (or 2,018,590 shares) of China Pediatric. The Company then changed the accounting method for the investment from the equity method to the fair value method. At the date of the change, the investment was valued at \$2,829,732. As of September 30, 2011 and December 31, 2010, the fair value of the investment is \$1,009,295 and \$8,780,867, respectively, which is reflected in the consolidated balance sheet. The Company recognized an unrealized gain (loss) of \$(1,029,481) and \$(7,771,572) for the three and nine months ended September 30, 2011, respectively and \$201,859 and \$1,312,083 for the three and nine months ended September 30, 2010, respectively, which is reflected as accumulated other comprehensive income in the consolidated statement of stockholder’s equity.

## Note 6– Intangible Assets

Net intangible assets at September 30, 2011 and December 31, 2010 were as follows:

|   | September 30,<br>2011 | December 31,<br>2010 |
|---|-----------------------|----------------------|
| Rights to use land                        | \$ 5,335,005          | \$ 5,174,682         |
| Fertilizers proprietary technology rights | 1,251,200             | 1,213,600            |
|   | 6,586,205             | 6,388,282            |
| Less accumulated amortization             | (1,733,433)           | (1,574,873)          |
| <b>Intangibles, net</b>                   | <b>\$ 4,852,772</b>   | <b>\$ 4,813,409</b>  |

The Company’s office and manufacturing site is located in Yang Ling Agricultural High-Tech Industries Demonstration Zone in the province of Shaanxi, People’s Republic of China. The Company leases land per a real estate contract with the government of People’s Republic of China for a period from November 2001 through November 2051. Per the People’s Republic of China’s governmental regulations, the Government owns all land.

During July 2003, the Company leased another parcel of land per a real estate contract with the government of the People’s Republic of China for a period from July 2003 through June 2053.

The Company has recognized the amounts paid for the acquisition of rights to use land as intangible asset and amortizing over a period of fifty years.

The Company acquired Fluid and Compound Fertilizers proprietary technology rights on January 1, 2001 with a life ending December 31, 2011. The Company is amortizing Fertilizers proprietary technology rights over a period of ten years.

On July 15, 2008, the Company entered into a 50 year land rights agreement.

Amortization expense for the Company’s intangible assets amounted to \$37,280 and \$109,487 for the three and nine months ended September 30, 2011 and \$52,244 and \$164,802 for the three and nine months ended September 30, 2010, respectively. Amortization of intangible assets for the next five years are as follows:

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| Year End   | Amount       |
|------------|--------------|
| 2011       | \$ 35,927    |
| 2012       | 143,709      |
| 2013       | 143,709      |
| 2014       | 143,709      |
| 2015       | 143,709      |
| Thereafter | 4,242,009    |
|            | \$ 4,852,772 |

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## Note 7 – Note Payable

On March 19, 2010, the Company obtained a bank loan for 10,000,000 RMB (approximately \$1,517,000). The loan has an 8.1% annual interest rate, matures on March 19, 2012 and is secured by the Company's land use rights and facility. At September 30, 2011, the balance of this note was 9,000,000 RMB (approximately \$1,407,600).

## Note 8 – Stockholders Equity

## Common stock

## Stock Options

Following is a summary of the stock option activity:

|                                   | Options<br>Outstanding | Weighted<br>Average<br>Exercise<br>Price | Aggregate<br>Intrinsic<br>Value |
|-----------------------------------|------------------------|--|---------------------------------|
| Outstanding at December 31, 2010  | 426,000                | 1.07                                     |                                 |
| Granted                           | -                      |  |                                 |
| Canceled                          | (26,000 )              | \$ 6.72                                  |                                 |
| Exercised                         | -                      |  |                                 |
| Outstanding at September 30, 2011 | 400,000                | \$ 0.70                                  | \$ -                            |
| Exercisable at September 30, 2011 | 400,000                | \$ 0.70                                  | \$ -                            |

Following is a summary of the status of options outstanding at September 30, 2011:

| Options Outstanding and Exercisable |  |   |
|-------------------------------------|--|---|
| Range<br>of<br>Exercise<br>Price    | Number<br>Outstanding<br>September 30,<br>2011 | Weighted<br>Average<br>Remaining<br>Contractual<br>Life (Years) |
| \$ 0.70                             | 400,000  | 0.50  |
|                                     | 400,000  |   |

## Note 9 – Employee Welfare Plans

The Company has established its own employee welfare plan in accordance with Chinese law and regulations. The Company makes annual contributions of 14% of all employees' salaries to employee welfare plan. The total expense for the above plan were \$0 for the three and nine months ended September 30, 2011 and 2010. The Company has recorded welfare payable of \$0 at and September 30, 2011 and December 31, 2010.

## Note 10 – Statutory Common Welfare Fund

As stipulated by the Company Law of the People's Republic of China (PRC), net income after taxation can only be distributed as dividends after appropriation has been made for the following:



- i. Making up cumulative prior years' losses, if any;

- ii. Allocations to the “Statutory surplus reserve” of at least 10% of income after tax, as determined under PRC accounting rules and regulations, until the fund amounts to 50% of the Company’s registered capital;
- iii. Allocations of 5-10% of income after tax, as determined under PRC accounting rules and regulations, to the Company’s “Statutory common welfare fund”, which is established for the purpose of providing employee facilities and other collective benefits to the Company’s employees; and
- iv. Allocations to the discretionary surplus reserve, if approved in the stockholders’ general meeting.

Pursuant to the new Corporate Law effective on January 1, 2006, there is now only one "Statutory surplus reserve" requirement. The reserve is 10 percent of income after tax, not to exceed 50 percent of registered capital.

The Company did not appropriate a reserve for the statutory surplus reserve and welfare fund for the nine months ended September 30, 2011 and 2010.

#### Note 11 – Factory Location and Lease Commitments

The Company’s principal executive offices are located in the Shaanxi province, People’s Republic of China. BBST owns two factories, which includes three production lines, an office building, one warehouse, and two research labs and, is located on 10,900 square meters of land. The Company leases its office premises under an operating lease agreement that requires monthly rental payments of \$2,637 and the leases expire in 2013.

#### Note 12 – Current Vulnerability Due to Certain Concentrations

Two vendors provided 29% and 19% of the Company’s raw materials for the nine months ended September 30, 2011 and two vendors provided 65%, and 22% of the Company’s raw materials for the nine months ended September 30, 2010.

Two customers accounted for 20% and 16% of the Company’s sales for the nine months ended September 30, 2011. Two customers accounted for 11% and 11% of the Company’s sales for the nine months ended September 30, 2010.

The Company’s operations are carried out in the PRC. Accordingly, the Company’s business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, by the general state of the PRC’s economy. The Company’s business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

#### Note 13 – Litigation

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Other than the matters described below, we are currently not aware of any such legal proceedings or claims that we believe would or could have, individually or in the aggregate, a material adverse affect on our business, financial condition, results of operations or liquidity.

#### Note 14 – Subsequent Events

Pursuant to Financial Accounting Standards Board Accounting Standards Codification 855-10, the Company has evaluated all events or transactions that occurred from October 1, 2011, through the filing with the SEC. On

November 17, 2011, the chairman issued an undertaking that the chairman will give his every endeavor and best effort to obtain necessary and adequate fundings to meet the Company's financial obligations as and when they are required thereby warranting that the manufacturing operations of the Company will not be affected.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those listed under the heading "Risk Factors" and those listed in our other SEC filings. The following discussion should be read in conjunction with our Financial Statements and related notes thereto included elsewhere in this Quarterly Report. Throughout this Quarterly Report we will refer to Bodisen Biotech, Inc., together with its subsidiaries, as "Bodisen," the "Company," "we," "us," and "our."

### Overview

We are incorporated under the laws of the state of Delaware and our operating subsidiary, Yang Ling, is headquartered in Shaanxi Province, the People's Republic of China. We are engaged in developing, manufacturing and selling organic fertilizers, liquid fertilizers, pesticides and insecticides in the People's Republic of China and produce numerous proprietary product lines, from pesticides to crop-specific fertilizers. We market and sell our products to distributors throughout the People's Republic of China, and these distributors, in turn, sell our products to farmers. We also conduct research and development to further improve existing products and develop new formulas and products.

### Critical Accounting Policies and Estimates

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("US GAAP"). US GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expenses amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

We believe the following is among the most critical accounting policies that impact our consolidated financial statements. We suggest that our significant accounting policies, as described in our condensed consolidated financial statements in the Summary of Significant Accounting Policies, be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Accounts receivable

We maintain reserves for potential credit losses on accounts receivable and record them primarily on a specific identification basis. In order to establish reserves, we review the composition of accounts receivable and analyze

historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. This analysis and evaluation requires the use of judgments and estimates. Because of the nature of the evaluation, certain judgments and estimates are subject to change, which may require adjustments in future periods.

### Inventories

We value inventories at the lower of cost (determined on a weighted average basis) or market. When evaluating our inventory, we compare the cost with the market value and make allowance to write them down to market value, if lower. The determination of market value requires the use of estimates and judgment by our management.

### Intangible assets

We evaluate intangible assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. This evaluation requires the use of judgments and estimates, in particular with respect to recoverability. Recoverability of intangible assets, other long-lived assets and, goodwill is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss.

### Revenue Recognition

Our revenue recognition policies are in compliance with Staff accounting bulletin (SAB) 104. Because collection is not reasonably assured, sales revenue is recognized using the cost recovery method. Under the cost recovery method, no profit is recognized until cash payments exceed the cost of the goods sold.

### Recent Accounting Pronouncements

In May 2011, the FASB issued guidance to amend certain measurement and disclosure requirements related to fair value measurements to improve consistency with international reporting standards. This guidance is effective prospectively for public entities for interim and annual reporting periods beginning after December 15, 2011, with early adoption by public entities prohibited. We are currently evaluating this guidance, but does not expect its adoption will have a material effect on our consolidated financial statements.

In June 2011, the FASB issued new guidance on the presentation of comprehensive income that will require a company to present components of net income and other comprehensive income in one continuous statement or in two separate, but consecutive statements. There are no changes to the components that are recognized in net income or other comprehensive income under current GAAP. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, with early adoption permitted. We are currently evaluating this guidance, but does not expect its adoption will have a material effect on our consolidated financial statements.

In September 2011, the FASB issued amended accounting guidance related to goodwill impairment testing. The new guidance provides the option to perform a qualitative assessment by applying a more likely than not scenario to determine whether the fair value of a reporting unit is less than its carrying amount, which may then allow a company to skip the annual two-step quantitative goodwill impairment test depending on the determination. The amended guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Earlier adoption is permitted. Management does not expect the adoption of the amended guidance to have a material impact on our consolidated financial statements.



## Results of Operations

Three Months Ended September 30, 2011 as Compared to Three Months Ended September 30, 2010

|  | Three Months Ended    |                       | Change       |          |
|--|-----------------------|-----------------------|--------------|----------|
|  | September 30,<br>2011 | September 30,<br>2010 | \$           | %        |
| Revenue                                    | \$1,781,006           | \$2,209,724           | \$(428,718 ) | (19.4 )  |
| Cost of revenue                            | 1,378,949             | 1,559,565             | (180,616 )   | (11.6 )  |
| Gross profit                               | 402,057               | 650,159               | (248,102 )   | (38.2 )  |
| <b>Operating expenses</b>                  |                       |                       |              |          |
| Selling expenses                           | 87,935                | 25,835                | 62,100       | 240.4    |
| General and administrative expenses        | 1,127,763             | 956,675               | 171,088      | 17.9     |
| Writedown of Assets                        | -                     | -                     | -            | -        |
| Total operating expenses                   | 1,215,698             | 982,510               | 233,188      | 23.7     |
| Loss from operations                       | (813,641 )            | (332,351 )            | (481,290 )   | 144.8    |
| <b>Non-operating income (expense):</b>     |                       |                       |              |          |
| Other income (expense)                     | (349 )                | (61,531 )             | 61,182       | (99.4 )  |
| Interest income, net                       | 21,383                | (34,612 )             | 55,995       | (161.8 ) |
| Loss on disposal of property and equipment | -                     | (10,297 )             | 10,297       | (100.0 ) |
| Total non-operating income(expense)        | 21,034                | (106,440 )            | 127,474      | (119.8 ) |
| Net loss                                   | \$(792,607 )          | \$(438,791 )          | \$(353,816 ) | 80.6     |

Revenue: We generated revenue of \$1,781,006 for the three months ended September 30, 2011, a decrease of \$428,718 or 19.4%, compared to \$2,209,724 for the three months ended September 30, 2010. The decrease in revenue is primarily attributable to a raise in commodity prices, the purchasing power of farmers declining, coupled with excessive rainfall in the summer months that led to flooding in some regions resulting in a reduced demand for crop production and fertilizer.

Gross Profit: We experienced a gross profit of \$402,057 for the three months ended September 30, 2011, a decrease of \$248,102 or 38.2%, compared to \$650,159 for the three months ended September 30, 2010. Gross margin (gross profit as a percentage of revenue), was 22.6% for the three months ended September 30, 2011, compared to 29.4% for the three months ended September 30, 2010. The decrease in the gross margin percentage was primarily attributable to higher costs for raw materials and reduced productivity.

Selling Expenses: Aggregated selling expenses accounted for \$87,935 of our operating expenses for the three months ended September 30, 2011, an increase of \$62,100 or 240%, compared to \$25,835 for the three months ended September 30, 2010. The increase in our aggregated selling expenses is primarily attributable to increasing our marketing efforts to increase our sales volume..

General and Administrative Expenses: General and administrative expenses accounted for \$1,127,763 of our operating expenses for the three months ended September 30, 2011, an increase of \$171,088 or 17.9%, compared to



\$956,675 for the three months ended September 30, 2010. The increase is principally due to an increase in our bad debt allowance or direct write off of accounts receivable balances and an overall increase in our operating costs.

Non Operating Income and Expenses: We had total non-operating income of \$21,034 for the three months ended September 30, 2011, a change of \$127,474 compared to an expense of \$106,440 for the three months ended September 30, 2010. Other income (expense) was \$(349) for the three months ended September 30, 2011 compared to \$(61,531) for the three months ended September 30, 2010.

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Nine months ended September 30, 2011 as Compared to Nine months ended September 30, 2010

|  | Nine Months Ended     |                       | Change        |          |
|--|-----------------------|-----------------------|---------------|----------|
|  | September 30,<br>2011 | September 30,<br>2010 | \$            | %        |
| Revenue                                    | \$4,222,293           | \$5,661,715           | \$(1,439,422) | (25.4 )  |
| Cost of revenue                            | 2,417,093             | 4,224,164             | (1,807,071)   | (42.8 )  |
| Gross profit                               | 1,805,200             | 1,437,551             | 367,649       | 25.6     |
| Operating expenses                         |                       |                       |               |          |
| Selling expenses                           | 802,109               | 372,021               | 430,088       | 115.6    |
| General and administrative expenses        | 2,176,280             | 2,418,410             | (242,130 )    | (10.0 )  |
| Writedown of Assets                        | -                     | -                     | -             | -        |
| Total operating expenses                   | 2,978,389             | 2,790,431             | 187,958       | 6.7      |
| Loss from operations                       | (1,173,189)           | (1,352,880)           | 179,691       | (13.3 )  |
| Non-operating income (expense):            |                       |                       |               |          |
| Other income (expense)                     | (2,858 )              | (81,372 )             | 78,514        | (96.5 )  |
| Interest income, net                       | 56,517                | (47,849 )             | 104,366       | (218.1 ) |
| Loss on disposal of property and equipment | -                     | (10,297 )             | 10,297        | (100.0 ) |
| Total non-operating income(expense)        | 53,659                | (139,518 )            | 193,177       | (138.5 ) |
| Net loss                                   | \$(1,119,530)         | \$(1,492,398)         | \$372,868     | (25.0 )  |

Revenue: We generated revenue of \$4,222,293 for the nine months ended September 30, 2011, a decrease of \$1,439,422 or 25.4%, compared to \$5,661,715 for the nine months ended September 30, 2010. The decrease in revenue is primarily attributable to a raise in commodity prices, the purchasing power of farmers declining, coupled with excessive rainfall in the summer months that led to flooding in some regions resulting in a reduced demand for crop production and fertilizer.

Gross Profit (Loss): We experienced a gross profit of \$1,805,200 for the nine months ended September 30, 2011, an increase of \$367,649 or 25.6%, compared to \$1,437,551 for the nine months ended September 30, 2010. Gross margin (gross profit as a percentage of revenue), was 42.8% for the nine months ended September 30, 2011, compared to 25.4% for the nine months ended September 30, 2010. The increase in the gross margin percentage was primarily attributable to the timing of collections of our accounts receivable, offset by higher costs for raw materials and reduced productivity.

Selling Expenses: Aggregated selling expenses accounted for \$802,109 of our operating expenses for the nine months ended September 30, 2011, an increase of \$430,088 or 116%, compared to \$372,021 for the nine months ended September 30, 2010. The increase in our aggregated selling expenses is primarily attributable to an increase in marketing promotion and advertising programs in an effort to increase sales volume.

General and Administrative Expenses: General and administrative expenses accounted for \$2,176,280 of our operating expenses for the nine months ended September 30, 2011, a decrease of \$242,130 or 10.0%, compared to \$2,418,410 for the nine months ended September 30, 2010. The decrease is principally due to a decrease in our bad

debt expense during 2011 compared to 2010.

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Non Operating Income and Expenses: We had total non-operating income of \$53,659 for the nine months ended September 30, 2011, a change of \$193,177 compared to and expense of \$139,518 for the nine months ended September 30, 2010. Other income (expense) was \$(2,858) for the nine months ended September 30, 2011 compared to \$(81,372) for the nine months ended September 30, 2010.

#### Liquidity and Capital Resources

We are primarily a parent holding company for the operations carried out by our operating subsidiary, Yang Ling, which carries out its activities in the People's Republic of China. Because of our holding company structure, our ability to meet our cash requirements apart from our financing activities, including payment of dividends on our common stock, if any, substantially depends upon the receipt of dividends from our subsidiaries, particularly Yang Ling.

As of September 30, 2011, we had \$948,137 of cash compared to \$3,675,209 as of December 31, 2010.

Cash balance decreased to \$948,137 as of September 30, 2011 as compared with \$3,675,209 as of December 31, 2010 due to raw material costs increased significantly during the year, for the purposes of cost reduction, the Company has implemented a policy to build up a higher reserve of raw materials inventory through careful procurements. This has a negative impact on the cash balance. On November 17, 2011, the chairman issued an undertaking that the chairman will give his every endeavor and best effort to obtain necessary and adequate fundings to meet the Company's financial obligations as and when they are required thereby warranting that the manufacturing operations of the Company will not be affected.

#### Cash Flows

Operating: We used \$2,830,406 of cash for operating activities for the nine months ended September 30, 2011 compared to \$1,277,511 of cash used in operating activities for the nine months ended September 30, 2010. The cash used in operating consisted of a net loss of \$1.1 million offset by non cash expenses of depreciation and amortization of \$1,303,572. In preparation for greater sales, we increased inventory by \$2,355,023 our advances to suppliers increased \$465,639. Deferred revenues and other payables were paid down resulting in a decrease in cash of \$1,253,311 and \$681,923, respectively.

Investing: Our investing activities provided \$155,462 cash for the nine months ended September 30, 2011, compared to cash used in investing activities of \$1,490,002 for the nine months ended September 30, 2010.

Financing. Our financing activities used \$156,000 cash as a result of the partial repayment of a note payable for the nine months ended September 30, 2011 compared to \$1,471,000 provided by financing activities for the nine months ended September 30, 2010.

#### Off-Balance Sheet Arrangements

We currently do not have any material off-balance sheet arrangements except for the remaining pre-payments under the land-lease arrangement described above.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

#### ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of our Disclosure Controls

Disclosure Controls and Procedures

Evaluation of our Disclosure Controls

As of the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have evaluated the effectiveness of our “disclosure controls and procedures” (“Disclosure Controls”). Disclosure Controls, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure. Our management does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

During management's assessment of the effectiveness of disclosure controls and procedures as of September 30, 2011, management identified deficiencies related to (i) the U.S. GAAP expertise of our internal accounting staff, (ii) a lack of segregation of duties within accounting functions, (iii) our internal risk assessment functions, and (iv) our communication functions.

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In order to correct the foregoing deficiencies, we have taken the following remediation measures:

- Although our accounting staff is professional and experienced in accounting requirements and procedures generally accepted in the PRC, management has determined that they require additional training and assistance in U.S. GAAP matters. Management has determined that our internal audit function is also significantly deficient due to insufficient qualified resources to perform internal audit functions. We retained an outside consulting firm in September 2006, which has since been assisting us in the implementation of Section 404.
- We have committed to the establishment of effective internal audit functions and have instituted various anti-fraud control and financial and account management policies and procedures to strengthen our internal controls over financial reporting. Due to the scarcity of qualified candidates with extensive experience in U.S. GAAP reporting and accounting in the region, we were not able to hire sufficient internal audit resources before the end of 2010. However, we will increase our search for qualified candidates with assistance from recruiters and through referrals.
- Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, we will implement procedures to assure that the initiation of transactions, the custody of assets and the recording of transactions will be performed by separate individuals.
- As of the quarter ended September 30, 2011, we have not yet established an effective risk assessment system that enables us to collect related information comprehensively and systematically, assess risks in a timely, realistic manner, and take appropriate measures to control risks effectively. The Company is working with its outside consultant to devise an effective risk assessment system and our Chief Financial Officer Junyan Tong is responsible for overseeing such measures.
- As of the quarter ended September 30, 2011, we are working to strengthen efforts to establish an effective communication system with clear procedures that will enable us to collect, process and deliver information related to internal controls in a timely fashion. Due to our limited staff, our Chief Financial Officer, Mr. Tong, will initially be primarily responsible for collecting and delivering such information among the different levels of Company management.

We believe that the foregoing steps will remediate the significant deficiency identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate.

Notwithstanding the conclusion that our internal control over financial reporting was not effective as of the end of the period covered by this report, the Chief Executive Officer and the Chief Financial Officer believe that the financial statements and other information contained in this quarterly report present fairly, in all material respects, our business, financial condition and results of operations. Nothing has come to the attention of management that causes them to believe that any material inaccuracies or errors exist in our financial statements as of September 30, 2011.

#### Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting (as defined in Rule 13a-15f under the Exchange Act) that occurred during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe would or could have, individually or in the aggregate, a material adverse affect on our business, financial condition, results of operations or liquidity.

### ITEM 1A. RISK FACTORS.

Not Applicable.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### ITEM 4. (REMOVED AND RESERVED)

### ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

| Exhibit No. | Exhibit Description   |
|-------------|---|
| 31.1        | Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended. |
| 31.2        | Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended. |
| 32.1        | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.   |
| 32.2        | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.   |
| EX-101.INS  | XBRL Instance Document*   |
| EX-101.SCH  | XBRL Taxonomy Extension Schema Document*  |
| EX-101.CAL  | XBRL Taxonomy Extension Calculation Linkbase Document*  |
| EX-101.DEF  | XBRL Taxonomy Extension Definition Linkbase Document*   |
| EX-101.LAB  | XBRL Taxonomy Extension Labels Linkbase Document*   |
| EX-101.PRE  | XBRL Taxonomy Extension Presentation Linkbase Document*   |

\* The XBRL related information in Exhibit 101 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.



SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BODISEN BIOTECH, INC.

Dated: November 21, 2011

/s/ Lin Wang  
Lin Wang  
Chief Executive Officer and President  
(principal executive officer)

Dated: November 21, 2011

/s/ Junyan Tong  
Junyan Tong  
Chief Financial Officer  
(principal financial officer and accounting officer )