BODISEN BIOTECH, INC
Form 10-Q
November 19, 2012

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

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

For the quarterly period ended: September 30, 2012

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 No. 000-32616

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

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of incorporation or organization) | 98-0381367<br>(I.R.S. Employer Identification No.) |
| Room 2001, FanMei Building<br>No. 1 Naguan Zhengjie<br>Xi'an, Shaanxi<br>People's Republic of China<br>(Address of Principal Executive Offices) | 710068<br>(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 x No o

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 x 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. x |

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

The number of shares outstanding of each of the issuer's classes of common stock as of November 14, 2012: 21,510,250.

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ITEM 1.

BODISEN BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | Notes | September 30, 2012 (unaudited) | December 31, 2011 (audited) |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash | | $344,554 | $935,375 |
| Accounts receivable and other receivable, net of allowance for doubtful accounts of $72,277 and $158,384 | 2 | 3,799,489 | 3,840,546 |
| Other receivables | | 3,953 | 19,215 |
| Note receivable | 3, 7 | - | 1,415,700 |
| Inventory | 4 | 2,904,124 | 2,149,262 |
| Advances to suppliers | 2 | 595,848 | 498,960 |
| Prepaid expense and other current assets | 2 | 923,312 | 6,944 |
| Total current assets | | 8,571,280 | 8,866,002 |
| PROPERTY AND EQUIPMENT, net | 2 | 20,939,699 | 22,003,784 |
| MARKETABLE SECURITY, AVAILABLE-FOR-SALE | 5 | 918,458 | 1,211,154 |
| INTANGIBLE ASSETS, net | 6 | 4,793,043 | 4,852,720 |
| TOTAL ASSETS | | $35,222,480 | $36,933,660 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | | $1,296,101 | $702,253 |
| Accrued expenses | | 48,565 | 81,437 |
| Deferred revenue | 2 | 678,124 | 556,449 |
| Bank loan | 3, 7 | 1,422,900 | 1,415,700 |
| Total current liabilities | | 3,445,690 | 2,755,839 |
| Long-term bank loan | | - | - |
| TOTAL LIABILITIES | | 3,445,690 | 2,755,839 |
| STOCKHOLDERS' EQUITY: | | | |
| Preferred stock, $0.0001 per share; authorized 5,000,000 shares; nil issued and outstanding | | - | - |
| Common stock, $0.0001 per share; 30,000,000 shares authorized and 21,510,250 shares issued and outstanding | | 2,151 | 2,151 |

| | | | |
|---|---|---|---|
| Additional paid-in capital | | 35,345,542 | 35,345,542 |
| Accumulated other comprehensive income | 2 | 8,754,145 | 8,876,044 |
| Statutory reserve | 10 | 4,314,488 | 4,314,488 |
| Accumulated deficit | | (16,639,536) | (14,360,404) |
| Total stockholders' equity | | 31,776,790 | 34,177,821 |
| | | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | | $35,222,480 | $36,933,660 |

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2012 (unaudited) | 2011 (unaudited) | 2012 (unaudited) | 2011 (unaudited) |
| Revenue | $3,320,635 | $1,781,006 | $5,830,158 | $4,222,293 |
| Cost of revenue | 3,117,807 | 1,378,949 | 5,008,339 | 2,417,093 |
| Gross profit | 202,828 | 402,057 | 821,819 | 1,805,200 |
| Operating expenses | | | | |
| Selling expenses | 65,518 | 87,935 | 615,119 | 802,109 |
| General and administrative expenses | 330,104 | 1,127,763 | 2,469,706 | 2,176,280 |
| Total operating expenses | 395,622 | 1,215,698 | 3,084,825 | 2,978,389 |
| Loss from operations | (192,794) | (813,641) | (2,263,006) | (1,173,189) |
| Non-operating income (expense): | | | | |
| Other income (expense) | 3,783 | (349) | 1,495 | (2,858) |
| Interest income | 72 | 61,181 | 20,833 | 167,907 |
| Interest expense | (21,865) | (39,798) | (38,454) | (111,390) |
| Total non-operating income | (18,010) | 21,034 | (16,126) | 53,659 |
| Net loss | (210,804) | (792,607) | (2,279,132) | (1,119,530) |
| Other comprehensive loss | | | | |
| Foreign currency translation gain (loss) | (59,789) | 379,542 | 170,797 | 1,050,200 |
| Unrealized loss on marketable equity security | (353,254) | (1,029,481) | (292,696) | (7,771,572) |
| Total other comprehensive loss | (413,043) | (649,939) | (121,899) | (6,721,372) |
| Comprehensive loss | $(623,847) | $(1,442,546) | $(2,401,031) | $(7,840,902) |
| Weighted average shares outstanding : | | | | |
| Basic | 21,510,250 | 21,510,250 | 21,510,250 | 21,510,250 |
| Diluted | 21,510,250 | 21,510,250 | 21,510,250 | 21,510,250 |
| Earnings (loss) per share: | | | | |
| Basic | $(0.01) | $(0.04) | $(0.11) | $(0.05) |
| Diluted | $(0.01) | $(0.04) | $(0.11) | $(0.05) |

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

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

| | Nine Months Ended September 30, 2012 (unaudited) | Nine Months Ended September 30, 2011 (unaudited) |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $(2,279,132) | $(1,119,530) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 1,277,928 | 1,303,572 |
| Allowance for (recovery of) bad debts | (87,023) | 662,288 |
| (Increase) / decrease in assets: | | |
| Accounts receivable | 147,688 | 1,204,777 |
| Other receivables | 15,379 | (2,778) |
| Inventory | (744,872) | (2,355,023) |
| Advances to suppliers | (94,470) | (465,629) |
| Prepaid expense | (917,493) | 513 |
| Increase / (decrease) in current liabilities: | | |
| Accounts payable | 591,076 | (35,167) |
| Accrued expenses | (17,394) | (88,195) |
| Deferred revenue | 118,994 | (1,253,311) |
| Other payables | (15,878) | (681,923) |
| Net cash used in operating activities | (2,005,197) | (2,830,406) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (15,985) | (538) |
| Proceeds from repayment of note receivable | 1,424,700 | 156,000 |
| Net cash provided by investing activities | 1,408,715 | 155,462 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from bank loan | 1,425,501 | - |
| Repayment of bank loan | (1,425,501) | (156,000) |
| Net cash used in financing activities | - | (156,000) |
| Effect of exchange rate changes on cash and cash equivalents | 5,661 | 103,872 |
| NET DECREASE IN CASH | (590,821) | (2,727,072) |
| CASH, BEGINNING OF PERIOD | 935,375 | 3,675,209 |
| CASH, END OF PERIOD | $344,554 | $948,137 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Interest paid | $38,454 | $111,005 |
| Income taxes paid | $- | $- |

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

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BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(UNAUDITED)

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 for the fiscal year ended December 31, 2011. The results for the nine months ended September 30, 2012 are not necessarily indicative of the results to be expected for the full year ending December 31, 2012.

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.

Contingencies

Certain conditions may exist as of the date the financial statements are issues, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and legal counsel asses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought. There were no contingencies of the type as of September 30, 2012 and December 31, 2011.

BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(UNAUDITED)

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but it is reasonably possible, or is probable but cannot be estimated, then the nature of the contingency liability, together with an estimate of the range of possible loss if determinable and material would be disclosed. There were no contingencies of this type as of September 30, 2012 and December 31, 2011.

Loss contingencies considered to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed.

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. Allowance for doubtful accounts as of September 30, 2012 and December 31, 2011 were $72,277 and $158,384, respectively.

Prepaid Expense and Other Current Assets

Prepaid expense and other current assets are primarily comprised of advanced payments for operating expenses (insurance and rental expenses) and advanced payments to a R&D researcher for new fertilizer to be developed.

In June 2012, the Company signed a research and development agreement with QinLing Yuan Biology Technology Co., Ltd. ("QinLing Yuan"). Pursuant to the terms of the agreement between the Company and QinLing Yuan, QinLing Yuan must successfully develop and obtain certificate of new fertilizer, otherwise, the Company is entitled to a full refund of fees. Therefore, the costs paid in connection with this service were not classified as research and development costs, but rather as prepaid expenses. Such advance payments will not be expensed if we do not receive the desired results from that researcher.

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. The Management compares the cost of inventories with the market value and allowance is made for writing down their inventories to market value, if lower.

BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(UNAUDITED)

Property and 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, 2012 and December 31, 2011, respectively:

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Operating equipment | $10,561,625 | $10,500,004 |
| Vehicles | 555,411 | 633,860 |
| Office equipment | 76,153 | 76,011 |
| Buildings | 15,511,134 | 15,432,646 |
| | 26,704,323 | 26,642,521 |
| Less accumulated depreciation | (5,764,624 ) | (4,638,737 ) |
| Property and equipment, net | $20,939,699 | $22,003,784 |

Depreciation expense for the three and nine months ended September 30, 2012 and 2011 was $400,371 and $1,193,464 and $411,039 and $1,194,085, 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, 2012 and December 31, 2011, there was no impairment of its long-lived assets.

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BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(UNAUDITED)

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, 2012 and 2011.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, other receivables, notes receivable, advances to suppliers and accounts payable, 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 following table represents our assets and liabilities by level measured at fair value on a recurring basis as of September 30, 2012 and December 31, 2011.

| September 30, 2012 | | | |
|---|---|---|---|
| Description | Level 1 | Level 2 | Level 3 |
| Assets | | | |
| Marketable securities | $ 918,458 | $ - | $ - |

| December 31, 2011 | | | |
|---|---|---|---|
| Description | Level 1 | Level 2 | Level 3 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Marketable securities | $ | 1,211,154 | $ | - | $ | - |

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.

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BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(UNAUDITED)

Revenue Recognition and Deferred Revenue

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 three and nine months ended September 30, 2012 and 2011, the Company incurred advertising expenses of $2,204 and $470,760 and $25,740 and $715,650, 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 three and nine months ended September 30, 2012 and 2011, the Company incurred transportation charges of $19,555 and $54,722 and $0 and $3,264, respectively.

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 no options outstanding as of September 30, 2012.

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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BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(UNAUDITED)

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 were 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 $10,665,419 and $10,494,622 at September 30, 2012 and December 31, 2011, 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, 2012 and 2011 other comprehensive income in the consolidated statements of operations and other comprehensive income included translation gains (losses)of $(59,789) and $379,542 and $170,797 and $1,050,200, and unrealized gain (loss) on marketable equity security of $(353,254) and $(1,029,481) and $(292,696) and $(7,771,572), respectively. A detail of accumulated other comprehensive income is summarized below:

| | Foreign Currency | Unrealized Gain (loss) | Total Other Comprehensive Income |
|---|---|---|---|
| Balance, December 31, 2011 | $10,494,622 | $(1,618,578) | $ 8,876,044 |
| Adjustments | 170,797 | (292,696 ) | (121,899 ) |
| Balance, September 30, 2012 | $10,665,419 | $(1,911,274) | $ 8,754,145 |

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 no options as of September 30, 2012 and 426,000 options as of September 30, 2011 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.

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BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(UNAUDITED)

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 December 2011, the FASB issued guidance on offsetting assets and liabilities and disclosure requirements in Accounting Standards Update No. 2011-11, Disclosures about Offsetting Assets and Liabilities ("Update 2011-11"). Update 2011-11 requires that entities disclose both gross and net information about instruments and transactions eligible for offsetting the statement of financial position as well as instruments and transactions subject to an agreement similar to a master netting agreement. In addition, the standard requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements. Update 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods with those annual periods. The implementation of the disclosure requirement is not expected to have a material impact on the Company's consolidated results of operations, financial position or cash flows.

As of September 30, 2012, there are no recently issued accounting standards not yet adopted that would have a material effect on the Company's financial statements.

Note 3 – Note Receivable

The note receivable was unsecured, non interest bearing and was originally due on April 22, 2012. The note receivable was repaid in full on April 22, 2012. The note receivable balance at December 31, 2011 was unsecured, interest bearing at 9.1% per annum and was repaid in full in 2012. The proceeds were used to pay back the bank loan (see note 7).

Note 4 – Inventory

Inventory at September 30, 2012 and December 31, 2011 consisted of the following:

| | September 30, 2012 | December 31, 2011 |
|---|---|---|

| | | | | |
|---|---|---|---|---|
| Raw materials | $ | 1,603,725 | $ | 638,878 |
| Packaging | | 118,475 | | 74,343 |
| Finished goods | | 1,181,924 | | 1,436,041 |
| | $ | 2,904,124 | $ | 2,149,262 |

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BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(UNAUDITED)

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, 2012 and December 31, 2011, the fair value of the investment is $918,458 and $1,211,154, respectively, which is reflected in the consolidated balance sheet. The Company recognized an unrealized gain (loss) of $(353,254) and $(292,696) for the three and nine months ended September 30, 2012 and $(1,029,481) and $(7,771,572) for the three and nine months ended September 30 2011, respectively, which is reflected in accumulated other comprehensive income in the consolidated statement of stockholder's equity. As of November 12, 2012, the fair value of the Company's investment in China Pediatric has decreased to $282,603 a decline of $635,855 since September 30, 2012.

Note 6– Intangible Assets

Net intangible assets at September 30, 2012 and December 31, 2011 were as follows:

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Rights to use land | $ 5,392,994 | $ 5,365,705 |
| Fertilizers proprietary technology rights | 1,264,800 | 1,258,400 |
| | 6,657,794 | 6,624,105 |
| Less accumulated amortization | (1,864,751) | (1,771,385) |
| Intangibles, net | $ 4,793,043 | $ 4,852,720 |

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 ended December 31, 2011. The amortization of Fertilizers proprietary technology rights was over a period of ten years and was amortized in full during 2011.

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

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Amortization expense for the Company's intangible assets amounted to $28,123 and $84,464 for the three and nine months ended September 30, 2012 and $37,280 and $109,487 for the three and nine months ended September 30, 2011, respectively. Amortization of intangible assets for the next five years are as follows:

| Year End | Amount |
|---|---|
| 2012 | $ 28,119 |
| 2013 | 112,476 |
| 2014 | 112,476 |
| 2015 | 112,476 |
| 2016 | 112,476 |
| Thereafter | 4,315,020 |
| | $ 4,793,043 |

Note 7 – Bank Loan

On March 19, 2010, the Company obtained a bank loan for 10,000,000 RMB (approximately $1,517,000). The loan bears an 8.1% annual interest rate, matures on March 19, 2012 and was secured by the Company's rights to use land and facility. This bank loan was repaid in full in the quarter ended March 31, 2012. During the quarter ended June 30, 2012, the Company obtained another bank loan for 9,000,000 RMB (approximately $1,425,600). The loan bears a 9.84% annual interest rate, matures on May 27, 2013 and is secured by the Company's intangible assets in the nature of rights to use the land.

Note 8 – Stockholders Equity

Common stock

There was no stock based compensation incurred during the three and nine months ended September 30, 2012.

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. From January 1, 2007 onwards, no provision for employee welfare is allowed in accordance with the revised PRC regulations. The total expense for the above plan were $0 for the three and nine months ended September 30, 2012 and 2011. The Company has recorded welfare payable of $0 at September 30, 2012 and December 31, 2011.

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, 2012 and 2011.

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BODISEN BIOTECH, INC. AND SUBSIDIARIES
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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 $2,751 and the leases expire in 2013.

Future minimum lease payments under operating leases are as follows, by years as of September 30, 2012:

| Year | Amount |
|---|---|
| 2012 | $ 8,254 |
| 2013 | 1,274 |
| | $ 9,528 |

The Company is committed to pay $671,925 for Research and Development upon successful development of new fertilizer.

Note 12 – Current Vulnerability Due to Certain Concentrations

Two vendors provided 19% and 16% of the Company's raw materials for the nine months ended September 30, 2012 and two vendors provided 29%, and 19% of the Company's raw materials for the nine months ended September 30, 2011.

Two customers accounted for 19% and 16% of the Company's sales for the nine months ended September 30, 2012. Two customers accounted for 20% and 16% of the Company's sales for the nine months ended September 30, 2011.

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, the Company 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 the Company's business.  The Company is currently not aware of any such legal proceedings or claims that it believes would or could have, individually or in the aggregate, a material adverse affect on the Company's business, financial condition, results of operations or liquidity.

Note 14 – Chairman Financial Undertaking

On November 17, 2011, the Chairman of the Board issued an undertaking that he will give his every endeavor and effort to obtain necessary and adequate fundings to meet the Company's financial obligations as when they are required thereby warranting that the manufacturing operations of the Company will not be affected. As of the date hereof no such funding has been needed by the Company.

Note 15 – Subsequent Events

Pursuant to ASC 855-10, the Company has evaluated all events or transactions that occurred from October 1, 2012, through the filing with the SEC. Except as set out below, the Company did not have any material recognizable subsequent events during this period.

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

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 sucl 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.

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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 December 2011, the FASB issued guidance on offsetting assets and liabilities and disclosure requirements in Accounting Standards Update No. 2011-11, Disclosures about Offsetting Assets and Liabilities (“Update 2011-11”). Update 2011-11 requires that entities disclose both gross and net information about instruments and transactions eligible for offsetting the statement of financial position as well as instruments and transactions subject to an agreement similar to a master netting agreement. In addition, the standard requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements. Update 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods with those annual periods. The implementation of the disclosure requirement is not expected to have a material impact on the Company’s consolidated results of operations, financial position or cash flows.

Results of Operations

Three Months Ended September 30, 2012 as Compared to Three Months Ended September 30, 2011

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2012 | 2011 | $ | % |
| Revenue | $3,320,635 | $1,781,006 | $1,539,629 | 86.4 |
| Cost of revenue | 3,117,807 | 1,378,949 | 1,738,858 | 126.1 |
| Gross profit | 202,828 | 402,057 | (199,229 ) | (49.6 ) |

| | | | | |
|---|---|---|---|---|
| Operating expenses | | | | |
| Selling expenses | 65,518 | 87,935 | (22,417 ) | (25.5 ) |
| General and administrative expenses | 330,104 | 1,127,763 | (797,659 ) | (70.7 ) |
| Total operating expenses | 395,622 | 1,215,698 | (820,076 ) | (67.5 ) |
| | | | | |
| Income (loss) from operations | (192,794 ) | (813,641 ) | 620,847 | (76.3 ) |
| | | | | |
| Non-operating income (expense): | | | | |
| Other income (expense) | 3,783 | (349 ) | 4,132 | (1,184.0 ) |
| Interest income | 72 | 61,181 | (61,109 ) | (99.9 ) |
| Interest expense | (21,865 ) | (39,798 ) | 17,933 | (45.1 ) |
| Total non-operating income(expense) | (18,010 ) | 21,034 | (39,044 ) | (185.6 ) |
| | | | | |
| Net income (loss) | $(210,804 ) | $(792,607 ) | $581,803 | (73.4 ) |

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Revenue: We generated revenue of $3,320,635 for the three months ended September 30, 2012, an increase of $1,539,629 or 86.4%, compared to $1,781,006 for the three months ended September 30, 2011. The increase in revenue is primarily attributable to our wholly-owned subsidiary, Bodisen Xinjiang started to generate revenue from the sale of fertilizer in the amount of $1,638,363 during the quarter ended September 30, 2012.

Gross Profit: We generated a gross profit of $202,828 for the three months ended September 30, 2012, a decrease of $199,229 or 49.6%, compared to $402,057 for the three months ended September 30, 2011. Gross margin (gross profit as a percentage of revenue), was 6.1% for the three months ended September 30, 2012, compared to 22.6% for the three months ended September 30, 2011. The decrease in the gross margin percentage was primarily attributable to the provision of deferred revenue under the cost recovery method which is affected by the timing of collections of our accounts receivable, offset by higher costs for raw materials.

Selling Expenses: Aggregated selling expenses accounted for $65,518 of our operating expenses for the three months ended September 30, 2012, a decrease of $22,417 or 25.5%, compared to $87,935 for the three months ended September 30, 2011. The decrease in our aggregated selling expense is primarily attributable to a decrease in advertising expenses in China of approximately $23,000 during the three months ended September 30,2012 compared to the three months ended September 30,2011.

General and Administrative Expenses: General and administrative expenses accounted for $330,104 of our operating expenses for the three months ended September 30, 2012, a decrease of $797,659 or 70.7%, compared to $1,127,763 for the three months ended September 30, 2011. The decrease is principally due to a decrease in our bad debt allowance or direct write off of accounts receivable balance and a overall decrease in our operating costs.

Non Operating Income and Expenses: We had total non-operating expenses of $18,010 for the three months ended September 30, 2012, a change of $39,044 compared to an income of $21,034 for the three months ended September 30, 2011. The change is principally due to:

i. a decrease in interest income of approximately $61,000 (due to full repayment of the note receivable in January 2012) during the three months ended September 30, 2012 compared to the three months ended September 30, 2011;

ii. a decrease in interest expense of approximately $18,000 (due to full settlement of the bank loan in January 2012) during the three months ended September 30, 2012 compared to the three months ended September 30, 2011.

Net income (loss): We had a net loss of $210,804 for the three months ended September 30, 2012, a decrease of $581,803 compared to net loss of $792,607 for the three months ended September 30, 2011. The change is due to reasons described above, principally the increase in cost of revenue.

Nine months Ended September 30, 2012 as Compared to Nine months Ended September 30, 2011

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2012 | 2011 | $ | % |
| Revenue | $5,830,158 | $4,222,293 | $1,607,865 | 38.1 |
| Cost of revenue | 5,008,339 | 2,417,093 | 2,591,246 | 107.2 |
| Gross profit | 821,819 | 1,805,200 | (983,381) | (54.5) |

| | | | | |
|---|---|---|---|---|
| Operating expenses | | | | |
| Selling expenses | 615,119 | 802,109 | (186,990) | (23.3) |
| General and administrative expenses | 2,469,706 | 2,176,280 | 293,426 | 13.5 |
| Total operating expenses | 3,084,825 | 2,978,389 | 106,436 | 3.6 |
| | | | | |
| Loss from operations | (2,263,006) | (1,173,189) | (1,089,817) | 92.9 |
| | | | | |
| Non-operating income (expense): | | | | |
| Other income (expense) | 1,495 | (2,858) | 4,353 | (152.3) |
| Interest income | 20,833 | 167,907 | (147,074) | (87.6) |
| Interest expense | (38,454) | (111,390) | 72,936 | (65.5) |
| Total non-operating income(expense) | (16,126) | 53,659 | (69,785) | (130.1) |
| | | | | |
| Net loss | $(2,279,132) | $(1,119,530) | $(1,159,602) | 103.6 |

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Revenue: We generated revenue of $5,830,158 for the nine months ended September 30, 2012, an increase of $1,607,865 or 38.1%, compared to $4,222,293 for the nine months ended September 30, 2011. The increase in revenue is primarily attributable to our wholly-owned subsidiary, Bodisen Xinjiang started to generate revenue from the sale of fertilizer in the amount of $1,638,363 during the quarter ended September 30, 2012.

Gross Profit: We generated a gross profit of $821,819 for the nine months ended September 30, 2012, a decrease of $983,381 or 54.5%, compared to $1,805,200 for the nine months ended September 30, 2011. Gross margin (gross profit as a percentage of revenue), was 14.1% for the nine months ended September 30, 2012, compared to 42.8% for the nine months ended September 30, 2011. The decrease in the gross margin percentage was primarily attributable to the provision of deferred revenue under the cost recovery method which is affected by the timing of collections of our accounts receivable, offset by higher costs for raw materials.

Selling Expenses: Aggregated selling expenses accounted for $615,119 of our operating expenses for the nine months ended September 30, 2012, a decrease of $186,990 or 23.3%, compared to $802,109 for the nine months ended September 30, 2011. The decrease in our aggregated selling expense is primarily attributable to a decrease in advertising expenses in China of approximately $187,000 during the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

General and Administrative Expenses: General and administrative expenses accounted for $2,469,706 of our operating expenses for the nine months ended September 30, 2012, an increase of $293,426 or 13.5%, compared to $2,176,280 for the nine months ended September 30, 2011. The increase is principally due to:

i. a decrease in our provision for bad debt expenses written back of approximately $770,000 (due to our strengthening its control policy over credit extended to customers) during the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011;

ii. an increase in research and development expenses of approximately $950,000 for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011;

iii. an increase in lease expense of approximately $45,000 for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011;

Non Operating Income and Expenses: We had total non-operating expenses of $16,126 for the nine months ended September 30, 2012, a change of $69,785 compared to $53,659 for the nine months ended September 30, 2011. The change is principally due to:

i. a decrease in interest income of approximately $147,000 (due to full repayment of the note receivable in January 2012) during the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011;

ii. a decrease in interest expense of approximately $73,000 (due to full settlement of the bank loan in March 2012) during the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

Net loss: We had a net loss of $2,279,132 for the nine months ended September 30, 2012, a change of $1,159,602 compared to $1,119,530 for the nine months ended September 30, 2011. The change is due to reasons described above, principally the increase in cost of revenue, and general and administrative expenses.

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, 2012, we had $344,554 of cash compared to $935,375 as of December 31, 2011.

Cash balance decreased $590,821 as of September 30, 2012 as compared with $935,375 as of December 31, 2011 due to raw material costs increasing significantly during the year. For the purpose of cost reduction, the Company has implemented a policy to build up a higher reserve of raw materials inventory through careful procurements in light of anticipated rising prices on raw materials. As raw materials relate to the manufacturing of organic fertilizers, liquid fertilizers, pesticides and insecticides, they are better preserved in the nature of finished goods. As of September 30, 2012, the Company therefore maintained an inventory of finished goods of $2,904,124 in line with the Company's budgeted sales for the latter half of the year and the first quarter in 2013. 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 funding 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.

While we have funded our operations since inception from operations and through private placements of equity securities and loans, there can be no assurance that adequate financing will continue to be available to us and, if available, on terms that are favorable to us.

We believe that we will require additional financing to carry out our intended objectives during the next twelve months. There can be no assurance, however, that such financing will be available or, if it is available, that we will be able to structure such financing on terms acceptable to us and that it will be sufficient to fund our cash requirements until we can reach a level of profitable operations and positive cash flows. If we are unable to obtain the financing necessary to support our operations, we may be unable to continue as a going concern. We currently have no firm commitments for any additional capital.

A downturn in the United States stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Further, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our shares of common stock or the debt securities may cause us to be subject to restrictive covenants. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek additional financing. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.

Cash Flows

Operating: We used $2,005,197 of cash for operating activities for the nine months ended September 30, 2012 compared to $2,830,406 of cash used in operating activities for the nine months ended September 30, 2011. The cash used in operating consisted of a net loss of $2,279,132 offset by non cash expenses of depreciation and amortization of $1,277,928. In preparation for greater sales, we increased inventory by $744,872 and increase our prepaid expenses by $917,493. Our accounts payables also increased by $591,076 which increase our cash.

Investing: Our investing activities for the nine months ended September 30, 2012 provided cash of $1,408,715, representing the addition of property and equipment of $15,985 and proceeds from a note receivable of $1,424,700 compared to cash provided by investing activities of $155,462 for the nine months ended September 30, 2011 representing the addition of property and equipment during this comparable period.

Financing. During the nine months ended September 30, 2012, we used $1,425,501 of cash for the full repayment of our bank loan and received $1,425,501 from the proceeds of another new bank loan. 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.

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.

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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, 2012, 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, 2012, 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, 2012, 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, Ms. 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, 2012.

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, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## 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. MINE SAFETY DISCLOSURES

### 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. |
| | XBRL Instance Document* |

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|---|---|
| | XBRL Taxonomy Extension Calculation Linkbase Document* |
| | XBRL Taxonomy Extension Definition Linkbase Document* |
| | XBRL Taxonomy Extension Label Linkbase Document* |
| | XBRL Taxonomy Extension Presentation Linkbase Document* |

* Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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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.

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| | BODISEN BIOTECH, INC. |
| Dated: November 19, 2012 | /s/ Lin Wang<br>Lin Wang<br>Chief Executive Officer and President<br>(principal executive officer) |
| Dated: November 19, 2012 | /s/ Junyan Tong<br>Junyan Tong<br>Chief Financial Officer<br>(principal financial officer and accounting officer ) |