

BODISEN BIOTECH, INC
Form 10-Q
May 18, 2012

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: March 31, 2012

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.

Edgar Filing: BODISEN BIOTECH, INC - Form 10-Q

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 May 10, 2012: 21,510,250.

1

TABLE OF CONTENTS

| | | Page |
|-------------------|--|-----------|
| PART I | | |
| Item 1. | Financial Statements | 3 |
| Item 2. | Management’s Discussion and Analysis of Financial Condition and Results of Operation | 15 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 19 |
| Item 4 | Controls and Procedures | 19 |
| PART II | | |
| Item 1. | Legal Proceedings | 21 |
| Item 1A. | Risk Factors | 21 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 21 |
| Item 3. | Defaults Upon Senior Securities | 21 |
| Item 4. | Mine Safety Disclosures | 21 |
| Item 5. | Other Information | 21 |
| Item 6. | Exhibits | 21 |
| SIGNATURES | | 22 |

ITEM 1.

BODISEN BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | Notes | March 31, 2012 (unaudited) | December 31, 2011 (audited) |
|---|-------|----------------------------------|--------------------------------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash | | \$ 382,022 | \$ 935,375 |
| Accounts receivable and other receivable, net of allowance for doubtful accounts of \$303,013 and \$158,384 | 2 | 1,785,047 | 3,840,546 |
| Other receivables | | 4,178 | 19,215 |
| Note receivable | 3, 7 | 79,150 | 1,415,700 |
| Inventory | 4 | 3,090,113 | 2,149,262 |
| Advances to suppliers | 2 | 695,956 | 498,960 |
| Prepaid expense and other current assets | 2 | 653,441 | 6,944 |
| Total current assets | | 6,689,907 | 8,866,002 |
| PROPERTY AND EQUIPMENT, net | 2 | 21,754,616 | 22,003,784 |
| MARKETABLE SECURITY, AVAILABLE-FOR-SALE | 5 | 3,603,183 | 1,211,154 |
| INTANGIBLE ASSETS, net | 6 | 4,856,109 | 4,852,720 |
| TOTAL ASSETS | | \$ 36,903,815 | \$ 36,933,660 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | | \$ 683,589 | \$ 702,253 |
| Accrued expenses | | 52,744 | 81,437 |
| Deferred revenue | 2 | 369,837 | 556,449 |
| Bank loan | 3, 7 | - | 1,415,700 |
| Total current liabilities | | 1,106,170 | 2,755,839 |
| Long-term bank loan | | - | - |
| TOTAL LIABILITIES | | 1,106,170 | 2,755,839 |
| STOCKHOLDERS' EQUITY: | | | |
| Preferred stock, \$0.0001 per share; authorized 5,000,000 shares; nil issued and outstanding | | - | - |

Edgar Filing: BODISEN BIOTECH, INC - Form 10-Q

| | | | |
|--|----|--------------|--------------|
| Common stock, \$0.0001 per share; 30,000,000 shares authorized | | | |
| 21,510,250 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 | 11,479,028 | 8,876,044 |
| Statutory reserve | 10 | 4,314,488 | 4,314,488 |
| Accumulated deficit | | (15,343,564) | (14,360,404) |
| Total stockholders' equity | | 35,797,645 | 34,177,821 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | | \$36,903,815 | \$36,933,660 |

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 March 31, | |
|--|---------------------------------|---------------------|
| | 2012 (unaudited) | 2011 (unaudited) |
| Revenue | \$1,080,966 | \$1,024,677 |
| Cost of revenue | 752,342 | 479,217 |
| Gross profit | 328,624 | 545,460 |
| Operating expenses | | |
| Selling expenses | 501,628 | 683,897 |
| General and administrative expenses | 818,609 | 516,610 |
| Total operating expenses | 1,320,237 | 1,200,507 |
| Loss from operations | (991,613) | (655,047) |
| Non-operating income (expense): | | |
| Other income (expense) | (612) | (229) |
| Interest income | 20,376 | 48,067 |
| Interest expense | (11,311) | (34,150) |
| Total non-operating income | 8,453 | 13,688 |
| Net loss | (983,160) | (641,359) |
| Other comprehensive loss | | |
| Foreign currency translation gain | 210,955 | 222,439 |
| Unrealized gain (loss) on marketable equity security | 2,392,029 | (4,743,687) |
| Total other comprehensive income (loss) | 2,602,984 | (4,521,248) |
| Comprehensive income (loss) | \$1,619,824 | \$(5,162,607) |
| Weighted average shares outstanding : | | |
| Basic | 21,510,250 | 21,510,250 |
| Diluted | 21,510,250 | 21,510,250 |
| Loss per share: | | |
| Basic | \$(0.05) | \$(0.03) |
| Diluted | \$(0.05) | \$(0.03) |

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

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

| | Three Months Ended March 31, | |
|--|---------------------------------|---------------------|
| | 2012 | 2011 |
| | (unaudited) | (unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$(983,160) | \$(641,359) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 425,281 | 432,138 |
| Allowance for of bad debts/write offs | 143,803 | 3,298 |
| (Increase) / decrease in assets: | | |
| Accounts receivable | 1,938,738 | 111,727 |
| Other receivables | 15,178 | (13,858) |
| Inventory | (928,359) | (504,557) |
| Advances to suppliers | (194,068) | (304,849) |
| Prepaid expense | (647,270) | (4,301) |
| Increase / (decrease) in current liabilities: | | |
| Accounts payable | (23,091) | (12,030) |
| Accrued expenses | (33,909) | (3,497) |
| Deferred revenue | (190,390) | (369,258) |
| Other payables | 4,730 | (645,968) |
| Net cash used in operating activities | (472,517) | (1,952,514) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (8,242) | (525) |
| Proceeds from repayment of note receivable | 1,347,250 | - |
| Net cash provided by (used in) investing activities | 1,339,008 | (525) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of bank loan | (1,426,500) | - |
| Net cash used in financing activities | (1,426,500) | - |
| Effect of exchange rate changes on cash and cash equivalents | 6,656 | 17,529 |
| NET DECREASE IN CASH | (553,353) | (1,935,510) |
| CASH, BEGINNING OF PERIOD | 935,375 | 3,675,209 |
| CASH, END OF PERIOD | \$ 382,022 | \$ 1,739,699 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Interest paid | \$ 11,067 | \$- |

| | | |
|-------------------|-----|-----|
| 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 for the fiscal year ended December 31, 2011. The results for the three months ended March 31, 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 issued, 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 assess 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 March 31, 2012 and December 31, 2011.

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 March 31, 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 March 31, 2012 and December 31, 2011 were \$303,013 and \$158,384, respectively.

Prepaid Expense and Other Current Assets

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

In February 2012, the Company signed a Research and Development Agreement with Feng Xiang. Pursuant to the terms of the agreement between the Company and Feng Xiang, Feng Xiang 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 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.

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

| | March 31, 2012 | December 31, 2011 |
|-------------------------------|-------------------|-------------------------|
| Operating equipment | \$10,574,985 | \$10,500,004 |
| Vehicles | 637,890 | 633,860 |
| Office equipment | 76,495 | 76,011 |
| Buildings | 15,530,756 | 15,432,646 |
| | 26,820,126 | 26,642,521 |
| Less accumulated depreciation | (5,065,510) | (4,638,737) |
| Property and equipment, net | \$21,754,616 | \$22,003,784 |

Depreciation expense for the three months ended March 31, 2012 and 2011 was \$397,785 and \$386,690, 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 March 31, 2012 and December 31, 2011, 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 months ended March 31, 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 March 31, 2012 and December 31, 2011.

| March 31, 2012 | Level 1 | Level 2 | Level 3 |
|-----------------------|-------------|---------|---------|
| Description | | | |
| Assets | | | |
| Marketable securities | \$3,603,183 | \$- | \$- |
| December 31, 2011 | Level 1 | Level 2 | Level 3 |
| Description | | | |
| 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.

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 months ended March 31, 2012 and 2011, the Company incurred advertising expenses of \$461,539 and \$670,759, 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 months ended March 31, 2012 and 2011, the Company incurred transportation charges of \$14,609 and \$888, 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 March 31, 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.

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 \$10,705,577 and \$10,494,622 at March 31, 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 months ended March 31, 2012 and 2011 other comprehensive income in the consolidated statements of operations and other comprehensive income included translation gains of \$210,955 and \$222,439, and unrealized gain (loss) on marketable equity security of \$2,392,029 and \$(4,743,687), respectively. A detail of accumulated other comprehensive income is summarized below:

| | Foreign Currency | Unrealized Gain (loss) | Total Accumulated Other Comprehensive Income |
|----------------------------|---------------------|---------------------------|--|
| Balance, December 31, 2011 | \$ 10,494,622 | \$(1,618,578) | \$ 8,876,044 |
| Adjustments | \$ 210,955 | \$ 2,392,029 | \$ 2,602,984 |

| | | | |
|-------------------------|--------------|-----------|---------------|
| Balance, March 31, 2012 | \$10,705,577 | \$773,451 | \$ 11,479,028 |
|-------------------------|--------------|-----------|---------------|

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 March 31, 2012 and 426,000 options as of March 31, 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.

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 ASU 2011-04 which was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This guidance is effective for the Company beginning on January 1, 2012. The adoption of ASU 2011-04 did not significantly impact the Company's consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income. ASU 2011-05 revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in Accounting Standards Codification (ASC) 220, Comprehensive Income, and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income. In December 2011, the FASB issued ASU 2011-12 which defers the requirement in ASU 2011-05 that companies present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. ASU 2011-05 is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2011, with early adoption permitted. The adoption of ASU 2011-05, as amended by ASU 2011-12, did not significantly impact the Company's consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08 which provides an entity the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test for goodwill impairment. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The revised standard is effective for the Company for its annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of ASU 2011-08 did not significantly impact the Company's consolidated financial statements.

In December, 2011, the FASB issued Accounting Standards Update No. 2011-11 "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities," ("ASU 2011-11"). ASU 2011-11 enhances disclosures regarding financial instruments and derivative instruments. Entities are required to provide both net information and gross information for these assets and liabilities in order to enhance comparability between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis

of IFRS. This new guidance is to be applied retrospectively. The adoption of these provisions does not have a material impact on the Company's consolidated statements.

Note 3 – Note Receivable

The note receivable is unsecured, non interest bearing and was originally due on April 22, 2012. The note receivable was repaid in full subsequent to the balance sheet date 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 January 2012, the proceed was used to pay back the bank loan (see note 7).

Note 4 – Inventory

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

| | March 31, 2012 | December 31, 2011 |
|----------------|-------------------|-------------------------|
| Raw materials | \$1,430,225 | \$638,878 |
| Packaging | 86,130 | 74,343 |
| Finished goods | 1,573,758 | 1,436,041 |
| | \$3,090,113 | \$2,149,262 |

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 March 31, 2012 and December 31, 2011, the fair value of the investment is \$3,603,183 and \$1,211,154, respectively, which is reflected in the consolidated balance sheet. The Company recognized an unrealized gain (loss) of \$2,392,029 and \$(4,743,687) for the three months ended March 31, 2012 and 2011, respectively, which is reflected in accumulated other comprehensive income in the consolidated statement of stockholder’s equity.

Note 6– Intangible Assets

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

| | March 31, 2012 | December 31, 2011 |
|---|-------------------|-------------------------|
| Rights to use land | \$5,399,816 | \$5,365,705 |
| Fertilizers proprietary technology rights | 1,266,400 | 1,258,400 |
| | 6,666,216 | 6,624,105 |
| Less accumulated amortization | (1,810,107) | (1,771,385) |
| Intangibles, net | \$4,856,109 | \$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.

Amortization expense for the Company's intangible assets amounted to \$27,496 and \$45,448 for the three months ended March 31, 2012 and 2011, respectively. Amortization of intangible assets for the next five years are as follows:

| Year End | Amount |
|------------|--------------|
| 2012 | \$ 82,488 |
| 2013 | 109,984 |
| 2014 | 109,984 |
| 2015 | 109,984 |
| 2016 | 109,984 |
| Thereafter | 4,333,685 |
| | \$ 4,856,109 |

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. At March 31, 2012, the balance of this loan was 0 RMB (\$0).

Note 8 – Stockholders Equity

Common stock

There was no stock based compensation incurred during the three months ended March 31, 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 months ended March 31, 2012 and 2011. The Company has recorded welfare payable of \$0 at March 31, 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 three months ended March 31, 2012 and 2011.

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 \$2,755 and the leases expire in 2013.

Future minimum lease payments under operating leases are as follows, by years, as of March 31, 2012:

| Year | Amount |
|------|-----------|
| 2012 | \$ 24,795 |
| 2013 | 1,276 |
| | \$ 26,071 |

The Company is committed to pay \$332,430, for Research and Development upon successful development of new fertilizer.

Note 12 – Current Vulnerability Due to Certain Concentrations

Two vendors provided 36% and 30% of the Company's raw materials for the three months ended March 31, 2012 and two vendors provided 64%, and 25% of the Company's raw materials for the three months ended March 31, 2011.

Two customers accounted for 31% and 17% of the Company's sales for the three months ended March 31, 2012. Two customers accounted for 18% and 16% of the Company's sales for the three months ended March 31, 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 issued an undertaking that the Chairman 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.

Note 15 – Subsequent Events

Pursuant to ASC 855-10, the Company has evaluated all events or transactions that occurred from April 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:

The Company's note receivable balance of RMB 500,000 (approximately \$79,150) was repaid in full in April of 2012.

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 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 ASU 2011-04 which was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This guidance is effective for us beginning on January 1, 2012. The adoption of ASU 2011-04 did not significantly impact our consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income. ASU 2011-05 revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in Accounting Standards Codification (ASC) 220, Comprehensive Income, and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income. In December 2011, the FASB issued ASU 2011-12 which defers the requirement in ASU 2011-05 that companies present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. ASU 2011-05 is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2011, with early adoption permitted. The adoption of ASU 2011-05, as amended by ASU 2011-12, did not significantly impact our consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08 which provides an entity the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test for goodwill impairment. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The revised standard is effective for us for our annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of ASU 2011-08 did not significantly impact our

consolidated financial statements.

In December, 2011, the FASB issued Accounting Standards Update No. 2011-11 “Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities,” (“ASU 2011-11”). ASU 2011-11 enhances disclosures regarding financial instruments and derivative instruments. Entities are required to provide both net information and gross information for these assets and liabilities in order to enhance comparability between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. This new guidance is to be applied retrospectively. The adoption of these provisions does not have a material impact on the Company’s consolidated statements.

Results of Operations

Three Months Ended March 31, 2012 as Compared to Three Months Ended March 31, 2011

| | Three Months Ended | | | Change |
|--------------------------------------|--------------------|--------------|--------------|---------|
| | March 31, | March 31, | \$ | % |
| | 2012 | 2011 | | |
| Revenue | \$1,080,966 | \$1,024,677 | \$56,289 | 5.5 |
| Cost of revenue | 752,342 | 479,217 | 273,125 | 57.0 |
| Gross profit | 328,624 | 545,460 | (216,836) | (39.8) |
| Operating expenses | | | | |
| Selling expenses | 501,628 | 683,897 | (182,269) | (26.7) |
| General and administrative expenses | 818,609 | 516,610 | 301,999 | 58.5 |
| Total operating expenses | 1,320,237 | 1,200,507 | 119,730 | 10.0 |
| Loss from operations | (991,613) | (655,047) | (336,566) | 51.4 |
| Non-operating income (expense): | | | | |
| Other income (expense) | (612) | (229) | (383) | 167.2 |
| Interest income | 20,376 | 48,067 | (27,691) | (57.6) |
| Interest expense | (11,311) | (34,150) | 22,839 | (66.9) |
| Total non-operating income (expense) | 8,453 | 13,688 | (5,235) | (38.2) |
| Net loss | \$(983,160) | \$(641,359) | \$(341,801) | 53.3 |

Revenue: We generated revenue of \$1,080,966 for the three months ended March 31, 2012, an increase of \$56,289 or 5.5%, compared to \$1,024,677 for the three months ended March 31, 2011. The increase in revenue is primarily attributable to products structure change and increased demand from customers for crop production and fertilizer.

Gross Profit: We generated a gross profit of \$328,624 for the three months ended March 31, 2012, a decrease of \$216,836 or 39.8%, compared to \$545,460 for the three months ended March 31, 2011. Gross margin (gross profit as a percentage of revenue), was 30.4% for the three months ended March 31, 2012, compared to 53.2% for the three months ended March 31, 2011. The decrease in the gross margin percentage was primarily attributable to increase in the price of their raw materials needed for our products as well as an increase in our labor costs.

Selling Expenses: Aggregated selling expenses accounted for \$501,628 of our operating expenses for the three months ended March 31, 2012, a decrease of \$182,269 or 26.7%, compared to \$683,897 for the three months ended March 31, 2011. The decrease in our aggregated selling expense is primarily attributable to a decrease in advertising expenses in China of approximately \$200,000 during the three months ended March 31, 2012 compared to the three months ended March 31, 2011.

General and Administrative Expenses: General and administrative expenses accounted for \$818,609 of our operating expenses for the three months ended March 31, 2012, an increase of \$301,999 or 58.5%, compared to \$516,610 for the three months ended March 31, 2011. The increase is principally due to:

- i. an increase in our provision for bad debt expenses of approximately \$150,000 (due to the Company's strengthening its control policy over credits extended to customers) during the three months ended March 31, 2012 compared to the three months ended March 31, 2011;
- ii. an increase in lease expense of approximately \$37,000 for the three months ended March 31, 2012 compared to March 31, 2011.

Non Operating Income and Expenses: We had total non-operating expenses of \$8,453 for the three months ended March 31, 2012, a change of \$5,235 compared to \$13,688 for the three months ended March 31, 2011. The decrease is principally due to:

- i. a decrease in interest income of approximately \$29,000 (due to fully repaid of note receivable in January 2012) during the three months ended March 31, 2012 compared to the three months ended March 31, 2011;
- ii. a decrease in interest expense of approximately \$24,000 (due to fully settlement of bank loan in January 2012) during the three months ended March 31, 2012 compared to the three months ended March 31, 2011.

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 March 31, 2012, we had \$382,022 of cash compared to \$935,375 as of December 31, 2011.

Cash balance decreased to \$382,022 as of March 31, 2012 as compared with \$935,375 as of December 31, 2011 due to raw material costs increased significantly during the year, for the purpose of cost reduction, the Company has implemented a policy. In light of anticipated rising prices on raw materials 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 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 \$472,517 of cash for operating activities for the three months ended March 31, 2012 compared to \$1,952,514 of cash used in operating activities for the three months ended March 31, 2011. The cash used in operating consisted of a net loss of \$983,160 offset by non cash expenses of depreciation and amortization of \$425,281 and bad debt expense of \$143,803. As a result of collection of accounts receivable the company received \$1,938,738 in cash. In preparation for greater sales, we increased inventory by \$928,359. Deferred revenues and were paid down resulting in a decrease in cash of \$190,390.

Investing: Our investing activities provided \$1,339,008 of cash for the three months ended March 31, 2012, representing the addition of property and equipment of \$8,242 and proceeds from note receivable of \$1,347,250, compared to cash used in investing activities of \$525 for the three months ended March 31, 2011 representing the addition of property and equipment.

Financing. Our financing activities used \$1,426,500 of cash as a result of the repayment of a note payable for the three months ended March 31, 2012 compared to \$0 provided by financing activities for the three months ended March 31, 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.

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 March 31, 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 March 31, 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 March 31, 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 March 31, 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 March 31, 2012 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. MINE SAFETY DISCLOSURES

Not applicable.

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: May 18, 2012

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

Dated: May 18, 2012

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