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BODISEN BIOTECH, INC
Form 10QSB
August 19, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 2005

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

For the transition period from _____ to _____

Commission File Number 333-99101

BODISEN BIOTECH, INC.
(Name of small business issuer in its charter)

Delaware 98-0381367
(State or other jurisdiction of incorporation) (IRS Employer Identification No.)

North Part of Xinquia Road, Yang Ling Agricultural
High-Tech Industries Demonstration Zone, Yang Ling, People's
Republic of China 712100
(Address of principal executive offices)

86-29-87074957
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act, during the past 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of June 30, 2005 there were 15,289,259 shares of common stock, par value \$.0001 per share

Part I. Financial Information

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Item 1 Financial Statements (Unaudited):

Consolidated Balance Sheet
for the Six Months Ended June 30, 2005

Consolidated Statements of Income
for the Three Months and Six Months Ended June 30, 2005 and 2004.....

Consolidated Statement of Cash Flows
for the Six Months Ended June 30, 2005 and 2004.....

Notes to Condensed Consolidated Financial Statements.....

Item 2 Management's Discussion and Analysis or Plan of Operation.....

Item 3 Controls and Procedures.....

Part II. Other Information

Item 6 Exhibits and Reports on Form 8-K.....

Signatures.....

PART I. FINANCIAL INFORMATION

Item I. Financial Statements

BODISEN BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
June 30, 2005
(Unaudited)

	AS OF JUN
ASSETS	
CURRENT ASSETS:	
Cash & cash equivalents	\$
Accounts receivable, net	
Advances to suppliers	
Advance to officer	
Prepaid expenses	
Inventory	
Other Assets	
Total current assets	
PROPERTY AND EQUIPMENT, net	
INTANGIBLE ASSETS, net	

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TOTAL ASSETS	\$	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$	
Other payable		
Accrued expenses		
Notes payable		
Convertible debenture, net discount due to beneficial conversion		-----
Total current liabilities		
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.0001 per share; authorized 5,000,000 shares; none issued		
Common stock, \$0.0001 per share; authorized 30,000,000 shares; issued and outstanding 15,289,259 shares		
Additional paid in capital		
Statutory reserve		
Retained earnings		-----
Total stockholders' equity		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	=====

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

2

BODISEN BIOTECH, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	FOR THE THREE MONTH PERIODS ENDED		
	JUNE 30, 2005	JUNE 30, 2004	JUNE 30, 2003
Net revenue	\$ 8,416,805	\$ 4,230,205	\$
Cost of revenue	5,161,141	2,242,833	
Gross profit	3,255,664	1,987,372	
Operating expenses			
Selling expenses	231,768	107,609	
General and administrative expenses	14,709	126,740	
Total operating expenses	246,477	234,349	

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Income from operations	3,009,187	1,753,023
Non-operating Income (expense):		
Interest income	48,055	-
Other income	-	82,088
Interest expense	(365,228)	(11,096)
Total non-operating income (expense)	(317,173)	70,992
Income before income tax	2,692,014	1,824,015
Provision for income tax	-	-
Net Income	2,692,014	1,824,015
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation gain	-	(1,474)
COMPREHENSIVE INCOME	\$ 2,692,014	\$ 1,822,541
Basic weighted average shares outstanding	15,272,926	15,268,000
Basic earnings per share	\$ 0.18	\$ 0.12
Diluted weighted average shares outstanding	15,692,205	15,284,690
Diluted earnings per share	\$ 0.17	\$ 0.12

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

3

BODISEN BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2005 AND 2004
(Unaudited)

FOR THE SIX MONTH PERIOD
JUNE 30, 2005

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CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income	\$ 3,488,746
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	100,512
Amortization of beneficial conversion feature	259,505
(Increase) / decrease in current assets:	
Accounts receivable	(2,097,016)
Advances to suppliers	(68,653)
Inventory	(276,588)
Other assets	(1,523,272)
Increase / (decrease) in current liabilities:	
Accounts payable	626,968
Unearned revenue	-
Other payables	352,067
Accrued expenses	(136,680)
Others	(68,855)
Net cash provided in operating activities	656,734
Effect of exchange rate on cash	-
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property & equipment	(1,871,116)
Work in Progress	-
Net cash used in investing activities	(1,871,116)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Loan repayment	-
Proceeds from Convertible Debt	3,000,000
Advance to officer	(1,415,217)
Net cash provided by financing activities	1,584,783
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	370,401
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	2,121,811
CASH & CASH EQUIVALENTS, ENDING BALANCE	\$ 2,492,212

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2005
(unaudited)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Yang Ling Bodisen Biology Science and Technology Development Company Limited ("BBST") was founded in the People's Republic of China on August 31, 2001. BBST, located in Yang Ling Agricultural High-Tech Industries Demonstration Zone, is primarily engaged in developing, manufacturing and selling pesticides and compound organic fertilizers in the People's Republic of China. Bodisen International, Inc. ("BII") is a Delaware Corporation, incorporated on November 19, 2003. BII was a non-operative holding company of BBST. On December 15, 2003, BII entered in to an agreement with all the shareholders of BBST to exchange all of the outstanding stock of BII for all the issued and outstanding stock of BBST. After the consummation of the agreement, the former shareholders of BBST owned 1500 shares of common stock of BII, which represents 100% of BII's issued and outstanding shares. For U.S. Federal income tax purpose, the transaction was intended to be qualified as a tax-free transaction under section 351 of the Internal Revenue Code of 1986, as amended.

The exchange of shares with BBST has been accounted for as a reverse acquisition under the purchase method of accounting since the shareholders of the BBST obtained control of the consolidated entity. Accordingly, the merger of the two companies has been recorded as a recapitalization of BBST, with BBST being treated as the continuing entity. The historical financial statements presented are those of BBST. The continuing company has retained December 31 as its fiscal year end. The financial statements of the legal acquirer are not significant; therefore, no pro forma financial information is submitted.

On February 24, 2004, BII consummated a merger agreement with Stratabid.com, Inc. ("Stratabid"), a Delaware corporation, to exchange 12,000,000 shares of Stratabid to the shareholders of BII, in which BII merged into Bodisen Holdings, Inc. (BHI), an acquisition subsidiary of Stratabid, with BHI being the surviving entity. As a part of the merger, Stratabid cancelled 3,000,000 shares of its issued and outstanding stock owned by its former president and declared a stock dividend of three shares on each share of its common stock outstanding for all stockholders on record as of February 27, 2004.

Stratabid was incorporated in the State of Delaware on January 14, 2000 and before the merger, was a start-up stage Internet based commercial mortgage origination business based in Vancouver, BC, Canada.

The exchange of shares with Stratabid has been accounted for as a reverse acquisition under the purchase method of accounting since the shareholders of BII obtained control of Stratabid. On March 1, 2004, Stratabid was renamed Bodisen Biotech, Inc. (the "Company"). Accordingly, the merger of the two companies has been recorded as a recapitalization of the Company, with the Company being treated as the continuing entity. The financial statements of legal acquiree are not significant; therefore, no pro forma financial information is submitted.

5

In March 2005, Bodisen Biotech Inc. completed a \$3 million private placement through institutional investors. The net proceeds from this offering were sent to China towards capital contribution of the registration of a wholly owned Bodisen subsidiary by the name of "Yang Ling Bodisen Agricultural Technology Co., Ltd. ("Agricultural"). In June 2005, Agricultural completed a transaction with Yang Ling Bodisen Biology Science and Technology Development Company Limited ("Yang Ling"), Bodisen Biotech, Inc.'s operating subsidiary in China, which resulted in Agricultural owning 100% of Yang Ling.

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2. BASIS OF PRESENTATION

The accompanying unaudited financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the interim periods are not necessarily indicative of the results for any future period. These statements should be read in conjunction with the Company's audited financial statements and notes thereto for the fiscal year ended December 31, 2004.

Accounts receivable

The Company maintains reserves for potential credit losses on 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. Terms of the sales vary from COD through a credit term up to 9 to 12 months. Reserves are recorded primarily on a specific identification basis. Allowance for doubtful debts amounted to \$252,948 at June 30, 2005.

Advances to suppliers

The Company advances to certain vendors for purchase of its material. The advances to suppliers are interest free and unsecured. The advances amounted to \$823,863 at June 30, 2005.

6

Income taxes

The Company utilizes SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. According to the Provisional Regulations of the People's Republic of China on Income Tax, the Document of Reductions and Exemptions of Income Tax for the Company had been approved by the local tax bureau and the Yang Ling Agricultural High-Tech Industries Demonstration Zone. The Company is exempted from income tax through March 31, 2005.

In March 2005, Bodisen Biotech Inc. formed a new 100% wholly owned subsidiary name Yang Ling Bodisen Agricultural Technology Co., Ltd. ("Agricultural") in China. Under Chinese laws, a newly formed wholly owned subsidiary of a foreign company enjoys the favorable tax treatment of income tax exemption for the first two years and 50% of normal income tax for the following 3 years. In order to extend the advantage of tax benefits, in June 2005, Agricultural completed a transaction with Yang Ling Bodisen Biology Science and Technology Development Company Limited ("Yang Ling", Bodisen Biotech, Inc.'s operating subsidiary in China), which resulted in Agricultural owning 100% of Yang Ling.

Fair value of financial instruments

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Statement of financial accounting standard No. 107, Disclosures about fair value of financial instruments, requires that the Company disclose estimated fair values of financial instruments. The carrying amounts reported in the statements of financial position for current assets and current liabilities qualifying as financial instruments are a reasonable estimate of fair value.

Foreign currency transactions and comprehensive income (loss)

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 is Chinese Renminbi. The unit of Renminbi is in Yuan. Translation gains are classified as an item of other comprehensive income in the stockholders' equity section of the consolidated balance sheet. During the six month period ended June 30, 2005 comprehensive income in the consolidated statements of operation included no translation gain and in the six month period of June 30, 2004 the consolidated statements of operation included translation gains of \$39,101.

7

Segment reporting

The Company consists of one reportable business segment. All revenue is from customers in People's Republic of China. All of the Company's assets are located in People's Republic of China.

Recent Pronouncements

On May 15, 2003, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the statement of financial position. Further, SFAS 150 requires disclosure regarding the terms of those instruments and settlement alternatives. SFAS 150 affects an entity's classification of the following freestanding instruments: a) Mandatorily redeemable instruments b) Financial instruments to repurchase an entity's own equity instruments c) Financial instruments embodying obligations that the issuer must or could choose to settle by issuing a variable number of its shares or other equity instruments based solely on (i) a fixed monetary amount known at inception or (ii) something other than changes in its own equity instruments d) SFAS 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety. The guidance in SFAS 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. For private companies, mandatorily redeemable financial instruments are subject to the provisions of SFAS 150 for the fiscal period beginning after December 15, 2003. The Company does not expect the adoption of SFAS No. 150 to have a material impact on its financial position or results of operations or cash flows.

In December 2003, FASB issued a revised Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46R). FIN 46R addresses consolidation by business enterprises of variable interest entities and significantly changes the consolidation application of consolidation policies to variable interest entities and, thus improves comparability between enterprises engaged in similar activities when those activities are conducted through variable interest entities. The Company does not hold any variable interest entities.

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In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." This statement applies to all voluntary changes in accounting principle and requires retrospective application to prior periods financial statements of changes in accounting principle, unless this would be impracticable. This statement also makes a distinction between "retrospective application" of an accounting principle and the "restatement" of financial statements to reflect the correction of an error. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We are evaluating the effect the adoption of this interpretation will have on its financial position, cash flows and results of operations.

8

3. PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Bodisen Biotech, Inc. (from the merger date), its 100% wholly-owned subsidiary Bodisen Holdings, Inc. ("BHI"), BHI's 100% wholly-owned subsidiary Yang Ling Bodisen Biology Science and Technology Development Company Limited, and a new 100% wholly-owned subsidiary incorporated in March 2005 named Yang Ling Bodisen Agricultural Technology Co, Ltd. All significant inter-company accounts and transactions have been eliminated in consolidation.

4. MAJOR VENDORS

Five vendors provided 81% of the Company's raw materials for the six month period ended June 30, 2005. The payable balance for these parties amounted to \$401,784.

5. ADVANCE TO OFFICER

During the six months period, the Company advanced \$2,383,217 to its officer as short term loan. This loan is interest free, unsecured, and payable upon demand.

6. INTANGIBLE ASSETS

Net intangible assets at June 30, 2005 were as follows:

Rights to use land	\$ 1,669,042
Fertilizers proprietary technology rights	968,000

	2,637,042
Less Accumulated amortization	(502,343)

	\$ 2,134,699
	=====

The Company's office and manufacturing site is located in Yang Ling Agricultural High-Tech Industries Demonstration Zone in the province of Shanxi, 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

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land as intangible asset and amortizing over a period of fifty years. The "Rights to use land" is being amortized over 50 year's period.

9

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

Amortization expense for the Company's intangible assets for the six month period ending June 30, 2005 and 2004 amounted to \$64,940 each period.

Amortization expense for the Company's intangible assets over the next five fiscal years is estimated to be: 2006-\$130,000, 2007-\$130,000, 2008-\$130,000, 2009-\$130,000 and 2010-\$100,000.

7. SHAREHOLDERS' EQUITY

On February 24, 2004, BII entered into a merger agreement with Stratabid.com, Inc. (Stratabid) to exchange 12,000,000 shares of Stratabid to the shareholders of BII (note 12). As a part of the merger, Stratabid cancelled 3,000,000 shares of its issued and outstanding stock owned by a majority shareholder and declared a stock dividend of three shares on each share of its common stock outstanding for all stockholders on record as of February 27, 2004, after the merger agreement. The Company has a total of 15,289,259 shares of common stock outstanding as of June 30, 2005.

8. CONVERTIBLE DEBENTURE

On March 16, 2005, the Company completed a private placement offering. The Company received the sum of \$3 million and issued a one year 9% debenture convertible into shares of common stock by dividing the aggregate principal and accrued interest by a conversion price of \$4.80; and three year warrants to purchase 187,500 shares of common stock at \$4.80 per share.

This debenture was considered to have an embedded beneficial conversion feature because the conversion price was less than the quoted market price at the time of the issuance. Accordingly, the beneficial conversion feature was valued separately and the intrinsic value in the amount of \$476,875 was recorded as an increase to additional pay-in capital and a corresponding amount, less the amortized interest costs of \$138,490, was recorded as a reduction of the carrying value of the convertible debenture.

In connection to the convertible debenture, the Company issued three year warrants to purchase 187,500 shares of common stock at \$4.80 per share and three year warrants to purchase 40,000 shares of common stock at \$6.88 per share. The aggregate fair value of these warrants in the amount of \$416,703 was recorded as increase to additional pay-in capital, and a corresponding amount, less the amortized interest costs of \$121,015, was recorded as a reduction of the carrying value of the convertible debenture.

10

9. STOCK OPTIONS

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock Based Compensation-Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for

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stock-based employee compensation and the effect of the method used, on reported results. The Statement is effective for the Companies' interim reporting period ending January 31, 2003.

In compliance with SFAS No. 148, the Company has elected to continue to follow the intrinsic value method in accounting for its stock-based employee compensation plan as defined by APB No. 25 and has made the applicable disclosures below.

Had the Company determined employee stock based compensation cost based on a fair value model at the grant date for its stock options under SFAS 123, the Company's net earnings per share would have been adjusted to the pro forma amounts for the six month period ended June 30, 2005 as follow (\$ in thousands, except per share amounts):

	Six month period ended June 30, 2005	Six month period ended June 30, 2004
Net Income - as reported	\$3,488	
Stock-Based employee compensation expense included in reported net income, net of tax		
Total stock-based employee compensation under fair-value-based method for all rewards, net of tax	(12)	
Pro forma net income	\$3,476	

Earnings per share:

	Six month period ended June 30, 2005	Six month period ended June 30, 2004
Basic, as reported	\$0.23	
Diluted, as reported	\$0.22	
Basic, pro forma	\$0.23	
Diluted, pro forma	\$0.22	

In 2004 the board of directors approved the creation of the 2004 Stock Option Plan. This plan provides for the grant of incentive stock options to employees, directors and consultants. Options issued under this plan will expire over a maximum term of five years from the date of grant.

Pursuant to the Stock Option Plan, the Company granted 110,000 stock options to two Directors (55,000 options each) during the year ended December 31, 2004, of which 100,000 stock options was granted on June 4, 2004 and the balance of the 10,000 was granted on Dec. 28, 2004.

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On the first 100,000 stock options granted, 50,000 stock options vested immediately and 50,000 stock options became vested over 8 equal quarterly installments, with the first installment vesting at the end of the second quarter of 2004. The 10,000 stock options granted on Dec. 28, 2004 vested on Dec. 31, 2004.

The option exercise price was \$5 for the first 100,000 stock options which was the same as fair value of the shares at the time of granting of the options. The option exercise price was \$5.80 for the second 10,000 stock options which was the same as fair value of the shares at the time of granting of the options.

The Company did not grant any option during the six month period ended June 30, 2005.

10. SUPPLEMENTAL DISCLOSURE OF CASH FLOWS

The Company prepares its statements of cash flows using the indirect method as defined under the Statement of Financial Accounting Standard No. 95.

The Company paid \$379,360 and \$38,511 for interest and \$0 for income tax during the six month period ended June 30, 2005 and 2004, respectively.

11. STATUTORY COMMON WELFARE FUND AND RESERVE

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 shareholders' general meeting.

12

In accordance with the Chinese Company Law, the company has allocated 10% of its annual net income, amounting \$348,875 and \$224,499 as statutory reserve for the six month period ended June 30, 2005 and 2004, respectively.

The Company makes annual contributions of 14% of all employees' salaries to employee welfare plan. The total expense for the above plan \$36,924 and \$27,595 for the six month period ended June 30, 2005 and 2004, respectively.

12. FACTORY LOCATION AND LEASE COMMITMENTS

BBST's principal executive offices are located at North Part of Xinquia Road, Yang Ling Agricultural High-Tech Industries Demonstration Zone Yang Ling, Shanxi 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 rent of the office building is \$121 a month from May 20, 2004 through May 20, 2005. BBST also leases a warehouse in Yang Ling near the site of Bodisen's factories. Total future

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commitment through June 30, 2005 amounts to \$1,276.

13. EARNINGS PER SHARE

Earnings per share for six month periods ended June 30, 2005 and 2004 were determined by dividing net income for the periods by the weighted average number of both basic and diluted shares of common stock and common stock equivalents outstanding.

The following is an analysis of the differences between basic and diluted earnings per common share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share".

	Six month period ended June 30, 2005	Six month period ended June 30, 2004
Weighted average common shares outstanding	15,270,759	
Effect of dilutive securities: stock options	291,251	
Weighted average common shares outstanding and common share equivalents	15,562,010	

13

14. MERGER AGREEMENT

On February 11, 2004, Stratabid entered into an Agreement and Plan of Merger with Bodisen Acquisition Corp., a Delaware corporation ("BAC") wholly-owned by Stratabid, Bodisen International, Inc., a Delaware corporation ("BII") and the shareholders of BII. BII has one 100% wholly-owned subsidiary in Shanxi, China, Yang Ling Bodisen Biology Science and Technology Development Company Limited ("BBST"). Under the terms of the agreement, BAC acquired 100 percent of BII's stock in exchange for the issuance by Stratabid of three million shares of its common stock to the holders of BII. The new shares constitute approximately 79 percent of the outstanding shares of Stratabid, which changed its name to Bodisen Biotech, Inc. (the "Company"). The Agreement and Plan of Merger was closed on February 24, 2004.

BII's Chairman of the Board was appointed the Company's Chief Executive Officer.

At the Effective Time, by virtue of the Merger and without any action on the part of the BAC, BII or the BII Shareholders, the shares of capital stock of each of BII and the BAC were converted as follows:

(a) Capital Stock of the BAC. Each issued and outstanding share of the BAC's capital stock continued to be issued and outstanding and was converted into one share of validly issued, fully paid, and non-assessable common stock of the Surviving Company (Bodisen Holdings, Inc.). Each stock certificate of the BAC evidencing ownership of any such shares continued to evidence ownership of such shares of capital stock of the Surviving Company.

(b) Conversion of BII Shares. Each BII Share that was issued and outstanding at the Effective Time was automatically cancelled and extinguished and converted, without any action on the part of the holder thereof, into the right to receive

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at the time and in the amounts described in the Agreement an amount of Acquisition Shares equal to the number of Acquisition Shares divided by the number of BII Shares outstanding immediately prior to Closing. All such BII Shares, so converted, were no longer outstanding and were automatically cancelled and retired and ceased to exist, and each holder of a certificate representing any such shares ceased to have any rights with respect thereto, except the right to receive the Acquisition Shares paid in consideration therefore upon the surrender of such certificate in accordance with the Agreement.

(c) Within thirty (30) days from the Closing Date, Stratabid was required to sell its business operations, as they exist immediately prior to the Closing, to Derek Wasson, former president. In consideration of the sale, Mr. Wasson returned 750,000 Company Common Shares to Stratabid for cancellation. In addition, Mr. Wasson forgave all indebtedness owed by Stratabid to Mr. Wasson. Other than indebtedness of BII, Stratabid had no indebtedness or other liability of any kind or nature after the sale of the business to Mr. Wasson, save and except for liabilities incurred in connection with the Merger.

15. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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.

16. RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform to the period ended June 30, 2005 presentation.

14

BODISEN BIOTECH, INC.

Management's Discussion and Analysis or Plan of Operation

Item 2. Management's Discussion and Analysis or Plan of Operation

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto set forth in Item 1 of this Quarterly Report. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions, which could cause actual results to differ materially from Management's expectations. Factors that could cause differences include, but are not limited to, expected market demand for the Company's services, fluctuations in pricing for products distributed by the Company and services offered by competitors, as well as general conditions of the agricultural products marketplace.

Some of the information in this Form 10-QSB contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. You should read statements that contain these words carefully because they:

- o discuss our future expectations;

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- o contain projections of our future results of operations or of our financial condition; and
- o state other "forward-looking" information.

We believe it is important to communicate our expectations. However, there may be events in the future that we are not able to accurately predict or over which we have no control. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in our filings with the Securities and Exchange Commission.

15

Three Months Ended June 30, 2005 Compared To Three Months Ended June 30, 2004

Revenue. For the three month period ended June 30, 2005 as compared to the three month period ended June 30, 2004, the Company generated net revenues of \$8,416,805 and \$4,230,205, respectively, reflecting an increase of \$4,186,600 or 99%. The increase in revenues was primarily attributable to the completion of our new manufacturing facility which had a major impact on our capacity, and a renewed focus on marketing efforts as we entered new territories, resulting in increases in our customer base and related volume of recurring and new customer sales.

Gross profit. The Company achieved a gross profit of \$3,255,664 for the three months ended June 30, 2005, an increase of \$1,268,292 or 64%, compared to \$1,987,372 for the three months ended June 30, 2004. Gross margin, as a percentage of revenues, decreased from 47% for the three months ended June 30, 2004, to 39% for the three months ended June 30, 2005. The decrease in gross margin was primarily attributable to increased costs of raw materials, as well as an increase in the costs of shipping our products. The main component of the shipping cost is the increase in the cost of fuel. Our gross margins have decreased as a result of the widespread increase in the cost of all raw materials in China.

Operating expenses. The Company incurred operating expenses of \$246,477 for the three months ended June 30, 2005, a increase of \$12,128 or 5%, compared to \$234,349 for the three months ended June 30, 2004. This increase is a direct result of the increase in the use of sales and marketing staff and advertising to push our revenues to a 99% increase over the same period a year ago. Aggregated selling expenses of \$231,768 account for expenses related to costs associated with sales and marketing of the Company's products. Operating expenses include general and administrative expenses of \$14,709 for second quarter 2005 and relate to cost of maintaining the company's facilities, salaries and research and development.

Net Income. The Company's net income was \$2,692,014 for the three months ended June 30, 2005, an increase of \$867,999 or 48% compared to \$1,824,015 for the three months ended June 30, 2004. The increase is attributed to the growth in the demand for the Company's products as we enter new markets throughout China. This growth has occurred despite a decrease in gross margins as a result of management's discipline with respect to costs and attention to the importance of successful marketing.

Six Months Ended June 30, 2005 Compared To Six Months Ended June 30, 2004

Revenue. For the six month period ended June 30, 2005 as compared to the six month period ended June 30, 2004, the Company generated net revenues of \$13,118,480 and \$6,416,294, respectively, reflecting an increase of \$6,702,186 or 104%. The increase in revenues was primarily attributable to the completion of our new manufacturing facility which had a major impact on our capacity, and a renewed focus on marketing efforts as we entered new territories resulting in

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increases in our customer base and related volume of recurring and new customer sales.

Gross profit. The Company achieved a gross profit of \$4,909,841 for the six months ended June 30, 2005, an increase of \$2,049,684 or 72%, compared to \$2,860,157 for the six months ended June 30, 2004. Gross margin, as a percentage of revenues, decreased from 45% for the six months ended June 30, 2004, to 37% for the six months ended June 30, 2005. The decrease in gross margin was primarily attributable to increased costs of raw materials, as well as an increase in the costs of shipping our products. The main component of the shipping cost is the increase in the cost of fuel. Our gross margins have decreased as a result of the widespread increase in the cost of all raw materials in China.

Operating expenses. The Company incurred operating expenses of \$1,089,790 for the six months ended June 30, 2005, an increase of \$505,381 or 86%, compared to \$584,409 for the six months ended June 30, 2004. This increase represents our continued development and implementation of our business during 2005, and the increase in revenue from the 2004 to 2005 period. Aggregated selling expenses of \$379,908 account for expenses related to costs associated with sales and marketing of the Company's products. Operating expenses include general and administrative expenses of \$709,882 for the first half of 2005 and relate to cost of maintaining the company's facilities, salaries and research and development.

16

Net Income. The Company's net income was \$3,488,746 for the six month ended June 30, 2005, an increase of \$1,243,756 or 55% compared to \$2,244,990 for the six months ended June 30, 2004. The increase was attributed to the growth in the demand for the Company's products as we enter new markets throughout China. This growth has occurred despite a decrease in gross margins as a result of management's discipline with respect to costs and attention to the bottom line.

Liquidity and Capital Resources

As of June 30, 2005 the Company had \$2,492,212 cash and cash equivalents, and we believe that our current cash needs for at least the next twelve months can be met from working capital. The Company had net cash flows provided by operations of \$656,734 for the six month period ended June 30, 2005 as compared to net cash provided by operations of \$638,561 in the corresponding period last year. The increase in net cash flows from operations in the current period as compared to corresponding period last year, was mainly due to an incremental decrease in advances to suppliers resulting in usage of cash flow \$68,653.

The Company had a net increase in cash and cash equivalent of \$370,401 in the current period as compared to a net decrease of \$405,404 in the corresponding period last year.

The majority of the Company's revenues and expenses were denominated primarily in Renminbi ("RMB"), the currency of the People's Republic of China. We do not engage in currency hedging. Inflation has not had a material impact on our business.

17

Item 3. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e) as

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of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. There were no significant changes in internal controls over financial reporting that occurred during the second quarter of 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

18

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

- 3.1 Certificate of Incorporation of the Company
- 3.2 Amendment to Certificate of Incorporation of the Company, changing name to Bodisen Biotech, Inc.
- 3.3 By-Laws of the of the Company
- 4.1 Form of Debenture issued March 16, 2005
- 10.1 Loan Agreement, dated as of September 28, 2003, between the Company and Xianyang City Commercial Bank
- 10.2 Bodisen Biotech, Inc. 2004 Stock Option Plan
- 10.3 Form of Bodisen Biotech, Inc. Nonstatutory Stock Option Agreement
- 10.4 Securities Subscription Agreement dated March 16, 2005 between the Company and Amulet Limited
- 10.5 Registration Rights Agreement dated March 16, 2005 between the Company and Amulet Limited
- 10.6 Form of Common Stock Warrant issued March 16, 2005
- 31.1 Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a)
- 31.2 Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a)
- 32.1 Certification of the Chief Executive Officer and the Chief Financial Officer pursuant 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K during the quarter ended June 30, 2005:

None.

19

SIGNATURES

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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.

By: /s/ Wang Qiong

Name: Wang Qiong
Title: Chief Executive Officer

Date August 18, 2005 /s/ Wang Qiong

Wang Qiong
Chief Executive Officer

Date August 18, 2005 /s/ Shuiwang Wei

Shuiwang Wei
Chief Financial Officer

20

EXHIBIT INDEX

Exhibit Number	Description	Method of Filing
3.1	Certificate of Incorporation of the Company	Filed as Exhibit 3.1 to statement on Form SB-2 Commission on September 2004
3.2	Amendment to Certificate of Incorporation of the Company, changing name to Bodisen Biotech, Inc.	Filed as Exhibit 3.2 to statement on Form 10-KSB filed with Commission on March 30, 2004
3.3	By-Laws of the of the Company	Filed as Exhibit 3.2 to statement on Form SB-2 Commission on September 2004
4.1	Form of Debenture issued March 16, 2005	Filed as Exhibit 10.6 to statement on Form SB-2 Commission on April 22, 2005
10.1	Loan Agreement, dated as of September 28, 2003, between the Company and Xianyang City Commercial Bank	Filed as Exhibit 10.2 to report on Form 10-KSB Commission on March 31, 2004
10.2	Bodisen Biotech, Inc. 2004 Stock Option Plan	Filed as Exhibit 10.2 to report on Form 10-KSB Commission on March 31, 2004
10.3	Form of Bodisen Biotech, Inc. Nonstatutory Stock Option Agreement	Filed as Exhibit 10.3 to report on Form 10-KSB Commission on March 31, 2004
10.4	Securities Subscription Agreement dated March 16, 2005 between the Company and	File as Exhibit 10.4 to statement on Form SB-2

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	Amulet Limited	Commission on April 22
10.5	Registration Rights Agreement dated March 16, 2005 between the Company and Amulet Limited	Filed as Exhibit 10.5 statement on Form SB-2 Commission on April 22
10.6	Form of Common Stock Warrant issued March 16, 2005	Filed as Exhibit 10.6 statement on Form SB-2 Commission on April 22
31.1	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a)	Filed herewith as Exhi
31.2	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a)	Filed herewith as Exhi
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhi