

BODISEN BIOTECH, INC
Form 10-Q
August 20, 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: June 30, 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. 000-54780

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

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

710068
(Zip Code)

852-2482-5168
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer.

Accelerated filer.

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

Smaller reporting company.

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

Yes No

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

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ITEM 1.

BODISEN BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	Notes	June 30, 2012 (unaudited)	December 31, 2011 (audited)
CURRENT ASSETS:			
Cash		\$ 407,742	\$ 935,375
Accounts receivable and other receivable, net of allowance for doubtful accounts of \$136,907 and \$158,384	2	1,515,632	3,840,546
Other receivables		7,617	19,215
Note receivable	3, 7	-	1,415,700
Inventory	4	4,801,355	2,149,262
Advances to suppliers	2	239,956	498,960
Prepaid expense and other current assets	2	814,426	6,944
Total current assets		7,786,728	8,866,002
PROPERTY AND EQUIPMENT, net	2	21,380,504	22,003,784
MARKETABLE SECURITY, AVAILABLE-FOR-SALE	5	1,271,712	1,211,154
INTANGIBLE ASSETS, net	6	4,830,310	4,852,720
TOTAL ASSETS		\$ 35,269,254	\$ 36,933,660
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable		\$ 1,060,392	\$ 702,253
Accrued expenses		61,908	81,437
Deferred revenue	2	320,717	556,449
Bank loan	3, 7	1,425,600	1,415,700
Total current liabilities		2,868,617	2,755,839
Long-term bank loan		-	-

TOTAL LIABILITIES		2,868,617	2,755,839
STOCKHOLDERS' EQUITY:			
Preferred stock, \$0.0001 per share; authorized 5,000,000 shares; nil issued and outstanding		-	-
Common stock, \$0.0001 per share; 30,000,000 shares authorized and 21,510,250 shares issued and outstanding		2,151	2,151
Additional paid-in capital		35,345,542	35,345,542
Accumulated other comprehensive income	2	9,167,188	8,876,044
Statutory reserve	10	4,314,488	4,314,488
Accumulated deficit		(16,428,732)	(14,360,404)
Total stockholders' equity		32,400,637	34,177,821
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 35,269,254	\$ 36,933,660

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	\$ 1,428,557	\$ 1,416,610	\$ 2,509,523	\$ 2,441,287
Cost of revenue	1,138,190	558,927	1,890,532	1,038,144
Gross profit	290,367	857,683	618,991	1,403,143
Operating expenses				
Selling expenses	47,973	30,277	549,601	714,174
General and administrative expenses	1,320,993	531,907	2,139,602	1,048,517
Total operating expenses	1,368,966	562,184	2,689,203	1,762,691
Income (loss) from operations	(1,078,599)	295,499	(2,070,212)	(359,548)
Non-operating income (expense):				
Other income (expense)	(1,676)	(2,280)	(2,288)	(2,509)
Interest income	385	58,659	20,761	106,726
Interest expense	(5,278)	(37,442)	(16,589)	(71,592)
Total non-operating income	(6,569)	18,937	1,884	32,625
Net income (loss)	(1,085,168)	314,436	(2,068,328)	(326,923)
Other comprehensive income (loss)				
Foreign currency translation gain	19,631	448,219	230,586	670,658
Unrealized gain (loss) on marketable equity security	(2,331,471)	(1,998,404)	60,558	(6,742,091)
Total other comprehensive income (loss)	(2,311,840)	(1,550,185)	291,144	(6,071,433)
Comprehensive loss	\$(3,397,008)	\$(1,235,749)	\$(1,777,184)	\$(6,398,356)
Weighted average shares outstanding :				
Basic	21,510,250	21,510,250	21,510,250	21,510,250
Diluted	21,510,250	21,510,250	21,510,250	21,510,250
Earnings (loss) per share:				
Basic	\$(0.05)	\$0.01	\$(0.10)	\$(0.02)
Diluted	\$(0.05)	\$0.01	\$(0.10)	\$(0.02)

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

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

	Six Months Ended June 30,	
	2012	2011
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(2,068,328)	\$(326,923)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	849,434	855,253
Allowance for of bad debts/write offs	(22,583)	(600,736)
(Increase) / decrease in assets:		
Accounts receivable	2,374,191	604,289
Other receivables	11,731	(2,483)
Inventory	(2,636,881)	(1,327,219)
Advances to suppliers	(529,469)	(250,773)
Prepaid expense	(15,433)	(231)
Increase / (decrease) in current liabilities:		
Accounts payable	353,277	(151,986)
Accrued expenses	(27,647)	(86,465)
Deferred revenue	(239,607)	(408,891)
Other payables	7,625	(641,667)
Net cash used in operating activities	(1,943,690)	(2,337,832)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(15,994)	(528)
Proceeds from repayment of note receivable	1,425,501	-
Net cash provided by (used in) investing activities	1,409,507	(528)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loan	1,425,501	-
Repayment of bank loan	(1,425,501)	-
Net cash used in financing activities	-	-
Effect of exchange rate changes on cash and cash equivalents	6,550	46,279
NET DECREASE IN CASH	(527,633)	(2,292,081)
CASH, BEGINNING OF PERIOD	935,375	3,675,209
CASH, END OF PERIOD	\$407,742	\$1,383,128

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid	\$55,003	\$-
Income taxes paid	\$-	\$-

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

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

Note 1 - Organization and Basis of Presentation

The unaudited consolidated financial statements have been prepared by Bodisen Biotech, Inc., a Delaware corporation (the “Company” or “Bodisen”), pursuant to the rules and regulations of the Securities Exchange Commission (“SEC”). The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011. The results for the six months ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year ending December 31, 2012.

Organization and Line of Business

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Use of Estimates

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

Contingencies

Certain conditions may exist as of the date the financial statements are 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 June 30, 2012 and December 31, 2011.

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(UNAUDITED)

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

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

Cash and Cash Equivalents

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

Accounts Receivable

The Company maintains reserves for potential credit losses for accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Reserves are recorded based on the Company's historical collection history. Allowance for doubtful accounts as of June 30, 2012 and December 31, 2011 were \$136,907 and \$158,384, respectively.

Prepaid Expense and Other Current Assets

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

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

Advances to Suppliers

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

Inventories

Inventories are valued at the lower of cost (determined on a weighted average basis) or market. The Management compares the cost of inventories with the market value and allowance is made for writing down their inventories to

market value, if lower.

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(UNAUDITED)

Property and Equipment

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

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

The following are the details of the property and equipment at June 30, 2012 and December 31, 2011, respectively:

	June 30, 2012	December 31, 2011
Operating equipment	\$10,581,666	\$10,500,004
Vehicles	638,293	633,860
Office equipment	84,301	76,011
Buildings	15,540,567	15,432,646
	26,844,827	26,642,521
Less accumulated depreciation	(5,464,323)	(4,638,737)
Property and equipment, net	\$21,380,504	\$22,003,784

Depreciation expense for the three and six months ended June 30, 2012 and 2011 was \$395,308 and \$793,093 and \$382,019 and \$768,709, 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 June 30, 2012 and December 31, 2011, there was no impairment of its long-lived assets.

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(UNAUDITED)

Intangible Assets

Intangible assets consist of Rights to use land and Fertilizers proprietary technology rights. The Company follows ASC Topic 350 in accounting for intangible assets, which requires impairment losses to be recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by the assets are less than the assets' carrying amounts. There were no impairment losses recorded on intangible assets for the three and six months ended June 30, 2012 and 2011.

Fair Value of Financial Instruments

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

Fair Value Measurements

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

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

The following table represents our assets and liabilities by level measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011.

	Level 1	Level 2	Level 3
June 30, 2012			
Assets Description			
Marketable securities	\$ 1,271,712	\$ -	\$ -
December 31, 2011	Level 1		