

Bodisen Biotech, Inc. reports Unaudited Third Quarter Financial Results

Review & Extracts of the Form10-Q as required by the Securities & Exchange Commission

Bodisen Biotech, Inc. (the "Company") (London AIM: BODI; OTC Pink Sheets: BBCZ; website: www.bodisen.com) today announced its third quarter results for the period ended September 30, 2008 which are extracted from the Company's Form 10-Q filed with the SEC.

Results of Operations

Nine months ended September 30, 2008 compared to Nine months ended September 30, 2007

Revenue. We generated revenues of \$3,771,601 for the nine months ended September 30, 2008, a decrease of \$6,723,093, compared to \$10,494,694 for the nine months ended September 30, 2007. The significant decrease in revenue was due to the abnormally cold spring time weather of Shaanxi province, which affected crop plantings and decreased the use of fertilizer.

Gross Profit. We achieved a gross profit of \$1,451,582 for the nine months ended September 30, 2008, a decrease of \$3,166,547, compared to \$4,618,129 for the nine months ended September 30, 2007. Gross margin decreased, from 44.0% for the nine months ended September 30, 2007, to 38.5% for the nine months ended September 30, 2008 primarily as a result of an increase in raw material costs.

Operating Expenses. We incurred operating expenses of \$7,443,453 for the nine months ended September 30, 2008, an increase of \$743,721 or 11.1% compared to \$6,699,732 for the nine months ended September 30, 2007. The increase was also due to an increase in marketing cost offset by lower provision for uncollectible accounts.

Aggregated Selling Expenses accounted for \$2,170,352 of our operating expenses for the nine months ended September 30, 2008, compared to \$1,276,208 for the nine months ended September 30, 2007. The increase in our aggregated selling expenses is due to the significant increase in our marketing costs. General and administrative expenses accounted for the remainder of our operating expenses of \$5,273,101 for the nine months ended September 30, 2008, which decreased \$150,423 compared to \$5,423,524 for the nine months ended September 30, 2007.

Non Operating Income and Expenses. We had total non-operating income of \$3,802,538 for the nine months ended September 30, 2008 compared to \$258,820 for the nine months ended September 30, 2007. Other income was \$3,648,443 for the nine months ended September 30, 2008 compared to \$(143) for the nine months ended September 30, 2007. The change is primarily due to bad debt recoveries during the nine months ended September 30, 2008.

Net Income/(Loss). Net income decreased by 17.8% to \$(2,147,793) for the nine months ended September 30, 2008 compared to net loss of \$(1,822,783) for the nine months ended September 30, 2007. We had earnings (loss) per share of \$0.12 for the nine months ended September 30, 2008 compared to earnings per share (loss) of \$0.10 for the nine months ended September 30, 2007.

About Bodisen Biotech, Inc.

Bodisen Biotech, Inc. is a manufacturer of liquid and organic compound fertilizers, pesticides, insecticides and agricultural raw material certified by the Petroleum Chemical Industry Administrative office of China (Chemical Petroleum Production Administrative Bureau), Shaanxi provincial government and Chinese government. The company is headquartered in Shaanxi province and is a Delaware corporation. The company files annual and periodic reports with the U.S. Securities and Exchange Commission, which are accessible at www.sec.gov.

Safe Harbor Statement

This press release may contain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on the current expectations or beliefs of Bodisen Biotech, Inc. management and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

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**CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME
(LOSS) FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$	\$	\$	\$
Net Revenue	1,696,547	2,314,059	3,771,601	10,494,694
Cost of Revenue	<u>1,028,889</u>	<u>1,207,774</u>	<u>2,320,019</u>	<u>5,876,565</u>
Gross profit	667,658	1,106,285	1,451,582	4,618,129
Operating expenses				
Selling expenses	1,792,173	596,921	2,170,352	1,276,208
General and administrative expenses	<u>3,906,651</u>	<u>2,879,530</u>	<u>5,273,101</u>	<u>5,423,524</u>
Total operating expenses	5,698,824	3,476,451	7,443,453	6,699,732
Income (loss) from operations	<u>(5,031,166)</u>	<u>(2,370,166)</u>	<u>(5,991,871)</u>	<u>(2,081,603)</u>
Non-operating income (expense):				
Other income (expense) net	685,291	(639,729)	3,648,443	(143)
Interest income	13,350	83,418	154,095	262,870
Interest expense	-	(1,531)	-	(3,907)
Total non-operating income (expense)	<u>698,641</u>	<u>(557,842)</u>	<u>3,802,538</u>	<u>258,820</u>
Loss before provision for income taxes	(4,332,525)	(2,928,008)	(2,189,333)	(1,822,783)
Provision for income taxes	354	-	41,540	
Net loss	<u>(4,332,171)</u>	<u>(2,928,008)</u>	<u>(2,147,793)</u>	<u>(1,822,783)</u>
Other comprehensive income				
Foreign currency translation gain (loss)	24,124	(859,916)	2,925,857	2,517,806
Unrealized gain (loss) on marketable equity security	<u>(4,911,768)</u>	<u>(5,200,695)</u>	<u>(6,769,159)</u>	<u>7,739,130</u>
Comprehensive Income (loss)	<u><u>(9,219,815)</u></u>	<u><u>(3,132,603)</u></u>	<u><u>(5,991,095)</u></u>	<u><u>(8,434,153)</u></u>

**Weighted average shares
outstanding :**

Basic	<u>18,362,424</u>	<u>18,310,250</u>	<u>18,327,768</u>	<u>18,310,250</u>
Diluted	<u>18,362,424</u>	<u>18,310,250</u>	<u>18,327,768</u>	<u>18,310,250</u>

Loss per share:

Basic	<u>(0.24)</u>	<u>(0.16)</u>	<u>(0.12)</u>	<u>(0.10)</u>
Diluted	<u>(0.24)</u>	<u>(0.16)</u>	<u>(0.12)</u>	<u>(0.10)</u>

**CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2008 AND DECEMBER 31, 2007**

	September 30, 2008	December 31, 2007
	(unaudited)	
	\$	\$
ASSETS		
CURRENT ASSETS:		
Cash & cash equivalents	352,944	617,406
Accounts receivable, net of allowance for doubtful accounts of \$3,748,348 and \$25,447,689	5,547,747	618,052
Other receivable	711,160	2,292,763
Inventory	2,784,773	1,179,448
Advances to suppliers	1,937,862	9,741,090
Prepaid expense and other current assets	4,644,255	5,066,015
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Total current assets	15,978,741	19,514,774
PROPERTY AND EQUIPMENT, net	5,444,072	5,306,254
CONSTRUCTION IN PROGRESS	13,444,289	7,722,756
MARKETABLE SECURITY	7,470,840	14,239,999
INTANGIBLE ASSETS, net	5,133,825	2,050,652
OTHER ASSETS	1,320,811	3,720,785
LOAN RECEIVABLE	-	2,439,275
	<hr/>	<hr/>
TOTAL ASSETS	<u>48,792,578</u>	<u>54,994,495</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	858,280	1,186,768
Accrued expenses	251,802	219,936
	<hr/>	<hr/>
Total current liabilities	1,110,082	1,406,704
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.0001 per share; authorized 5,000,000 shares; nil issued and outstanding		
Common stock, \$0.0001 per share; authorized 30,000,000 shares; issued and outstanding 18,710,250 and 18,310,250		
Additional paid-in capital	1,871	1,831
Other comprehensive income	33,945,822	33,860,062
Statutory reserve	12,677,473	16,520,775
Retained earnings	4,314,488	4,314,488
Total stockholders' equity	(3,257,158)	(1,109,365)
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>48,792,578</u>	<u>54,994,495</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007**

	Nine Months Ended September 30,	
	2008	2007
	(unaudited) \$	(unaudited) \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(2,147,793)	(1,822,783)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	393,329	354,753
Allowance (recovery) for bad debts	(3,648,443)	210,095
Common stock issued for services	60,000	-
Value of warrants issued for services	25,800	-
(Increase) / decrease in assets:		
Accounts receivable	(1,141,823)	(5,469,096)
Other receivable	1,700,911	(1,407,655)
Inventory	(1,495,506)	598,013
Advances to suppliers	8,288,420	4,243,485
Prepaid expense	867,351	(4,159,646)
Other assets	(120,431)	-
Increase / (decrease) in current liabilities:		
Accounts payable and accrued expenses	(364,008)	(278,338)
Other payable	17,444	-
Net cash provided by (used in) operating activities	<u>2,435,251</u>	<u>(7,731,172)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(50,639)	(91,381)
Additions to construction in progress	(5,098,387)	(3,582,845)
Acquisition of other assets	(333,292)	(44,168)
Repayment of loans receivable	2,551,054	-
Net cash used in investing activities	<u>(2,931,264)</u>	<u>(3,718,394)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>231,551</u>	<u>587,773</u>
NET DECREASE IN CASH & CASH EQUIVALENTS	(264,462)	(10,861,793)
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>617,406</u>	<u>11,824,327</u>
CASH & CASH EQUIVALENTS, END OF PERIOD	<u><u>352,944</u></u>	<u><u>962,534</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid	<u>-</u>	<u>-</u>
Income taxes paid	<u>-</u>	<u>-</u>

SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:

Transfer of land rights from other assets to intangible assets	<u>3,063,153</u>	<u>-</u>
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NOTES

Note 1 - Organization and Basis of Presentation

Organization and Line 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.

On February 24, 2004, Bodisen International, Inc. ("BII"), the non-operative holding company of BBST (accounting acquirer) consummated a merger agreement with Stratabid.com, Inc. (legal acquirer) ("Stratabid"), a Delaware corporation, to exchange 12,000,000 shares of Stratabid to the stockholders 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 because the stockholders 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 (BII) being treated as the continuing entity. The historical financial statements presented are those of BII.

As a result of the reverse merger transaction described above the historical financial statements presented are those of BBST, the operating entity.

In March 2005, Bodisen Biotech Inc. completed a \$3 million convertible debenture private placement through an institutional investor. Approximately \$651,000 in incremental and direct expenses relating to this private placement has been amortized over the term of the convertible debenture. None of the expenses were paid directly to the institutional investor. The net proceeds from this offering were invested as initial start-up capital in a newly created 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 ("BBST"), Bodisen Biotech, Inc.'s operating subsidiary in China, which resulted in Agricultural owning 100% of BBST.

In June 2006, BBST created another wholly owned subsidiary in the Uygur autonomous region of Xinjiang, China by the name of Bodisen Agriculture Material Co. Ltd. ("Material"). Material had no operations during the year ended December 31, 2006.

Basis of Presentation

The unaudited consolidated financial statements have been prepared by Bodisen Biotech, Inc. (the "Company"), pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K. The results of the nine months ended September 30, 2008 are not necessarily indicative of the results to be expected for the full year ending December 31, 2008.

Foreign Currency Translation

The accounts of the Company were maintained, and their consolidated financial statements were expressed in the Chinese Yuan Renminbi (CNY). Such consolidated financial statements were translated into U.S. Dollars (USD) in accordance with Statement of Financial Accounts Standards ("SFAS") No. 52, "Foreign Currency Translation," with the CNY as the functional currency. According to

the Statement, all assets and liabilities were translated at the exchange rate on the balance sheet date, stockholder's equity are translated at the historical rates and statement of operations items are translated at the weighted average exchange rate for the year. The resulting translation adjustments are reported under other comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income".

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Advances to Suppliers

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

Inventories

Inventories are valued at the lower of cost (determined on a weighted average basis) or market. 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 & Equipment and Capital Work In Progress

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

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

The following are the details of the property and equipment at September 30, 2008 and December 31, 2007, respectively:

	September 30, 2008	December 31, 2007
Operating equipment	\$ 1,105,785	\$ 1,025,862
Vehicles	758,620	722,360
Office equipment	87,313	81,671
Buildings	5,106,705	4,735,665
	<u>7,058,423</u>	<u>6,565,558</u>
Less accumulated depreciation	<u>(1,614,352)</u>	<u>(1,259,304)</u>
	<u>\$ 5,444,072</u>	<u>\$ 5,306,254</u>

Depreciation expense for the nine months ended September 30, 2008 and 2007 was \$265,009 and \$188,842, respectively.

On September 30, 2008 and December 31, 2007, the Company had "Capital Work in Progress" representing the construction in progress of the Company's manufacturing plant amounting \$13,444,289 and \$7,722,756 respectively.

Marketable Securities

Marketable securities consist of 2,063,768 shares of China Natural Gas, Inc. (traded on the OTCBB: CHNG). This investment is classified as available-for-sale as the Company plans to hold this investment for the long-term. This investment is reported at fair value with unrealized gains and losses included in other comprehensive income. The fair value is determined by using the securities quoted market price as obtained from stock exchanges on which the security trades.

Investment income, principally dividends, is recorded when earned. Realized capital gains and losses are calculated based on the cost of securities sold, which is determined by the "identified cost" method.

Long-Lived Assets

The Company applies the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations for a Disposal of a Segment of a Business." The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 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 market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal. Based on its review, the Company believes that, as of September 30, 2008 there were no significant impairments of its long-lived assets.

Intangible Assets

Intangible assets consist of Rights to use land and Fertilizers proprietary technology rights. The Company evaluates 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. 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.

Fair Value of Financial Instruments

On January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosures requirements for fair value measures. The carrying amounts reported in the balance sheets for receivables and current liabilities each qualify as financial instruments and are a

reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) 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 at September 30, 2008.

Description	Level 1	Level 2	Level 3
Assets			
Marketable securities	\$ -	\$ 7,470,840	\$ -

Revenue Recognition

The Company's revenue recognition policies are in compliance with Staff accounting bulletin (SAB) 104. Sales revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectibility is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue.

Advertising Costs

The Company expenses the cost of advertising as incurred or, as appropriate, the first time the advertising takes place. Advertising costs for the nine months ended September 30, 2008 and 2007 were insignificant.

Stock-Based Compensation

The Company adopted SFAS No. 123 (Revised 2004), *Share Based Payment* ("SFAS No. 123R"), under the modified-prospective transition method on January 1, 2006. SFAS No. 123R requires companies to measure and recognize the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value. Share-based compensation recognized under the modified-prospective transition method of SFAS No. 123R includes share-based compensation based on the grant-date fair value determined in accordance with the original provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, for all share-based payments granted prior to and not yet vested as of January 1, 2006 and share-based compensation based on the grant-date fair-value determined in accordance with SFAS No. 123R for all share-based payments granted after January 1, 2006. SFAS No. 123R eliminates the ability to account for the award of these instruments under the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and allowed under the original provisions of SFAS No. 123. Prior to the adoption of SFAS No. 123R, the Company accounted for our stock option plans using the intrinsic value method in accordance with the provisions of APB Opinion No. 25 and related interpretations.

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 was exempted from income tax through October 2007.

In March 2005, Bodisen Biotech Inc. formed Agricultural. Under Chinese law, a newly formed wholly owned subsidiary of a foreign company enjoys an income tax exemption for the first two years and a 50% reduction of normal income tax rates for the following 3 years. In order to extend such tax benefits, in June 2005, Agricultural completed a transaction with BBST, which resulted in Agricultural owning 100% of BBST.

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 is the Chinese Yuan Renminbi. Translation gains of \$8,073,979 at September 30, 2008 are classified as an item of other comprehensive income in the stockholders' equity section of the consolidated balance sheet. During the nine months ended September 30, 2008 and 2007, other comprehensive income in the consolidated statements of operations and other comprehensive income included translation gains of \$2,925,857 and \$2,517,806, respectively.

Basic and Diluted Earnings Per Share

Earnings per share is calculated in accordance with the Statement of Financial Accounting Standards No. 128 (SFAS No. 128), "Earnings per share." SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15). Earnings (loss) per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and 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.

Statement of Cash Flows

In accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," cash flows from the Company's operations are calculated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet.

Segment Reporting

Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosure About Segments of an Enterprise and Related Information" 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. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company. SFAS 131 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. All of the Company's assets are located in People's Republic of China.

Recent Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". SFAS 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS 159 on its financial position and results of operations.

In June 2007, the FASB issued FASB Staff Position No. EITF 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services Received for use in Future Research and Development Activities" ("FSP EITF 07-3"), which addresses whether nonrefundable advance payments for goods or services that used or rendered for research and development activities should be expensed when the advance payment is made or when the research and development activity has been

performed. Management is currently evaluating the effect of this pronouncement on financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations." SFAS No. 141R changes how a reporting enterprise accounts for the acquisition of a business. SFAS No. 141R requires an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value, with limited exceptions, and applies to a wider range of transactions or events. SFAS No. 141R is effective for fiscal years beginning on or after December 15, 2008 and early adoption and retrospective application is prohibited.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements", which is an amendment of Accounting Research Bulletin ("ARB") No. 51. SFAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 changes the way the consolidated income statement is presented, thus requiring consolidated net income to be reported at amounts that include the amounts attributable to both parent and the noncontrolling interest. SFAS 160 is effective for the fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Based on current conditions, the Company does not expect the adoption of SFAS 160 to have a significant impact on its results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133." SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Based on current conditions, the Company does not expect the adoption of SFAS 161 to have a significant impact on its results of operations or financial position.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). SFAS 162 will not have an impact on the Company's financial statements.

In May 2008, the FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts, an interpretation of FASB Statement No. 60." The scope of SFAS 163 is limited to financial guarantee insurance (and reinsurance) contracts, as described in this Statement, issued by enterprises included within the scope of Statement 60. Accordingly, SFAS 163 does not apply to financial guarantee contracts issued by enterprises excluded from the scope of Statement 60 or to some insurance contracts that seem similar to financial guarantee insurance contracts issued by insurance enterprises (such as mortgage guaranty insurance or credit insurance on trade receivables). SFAS 163 also does not apply to financial guarantee insurance contracts that are derivative instruments included within the scope of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 163 will not have an impact on the Company's financial statements.

Note 3 – Principles of Consolidation

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). All significant inter-company accounts and transactions have been eliminated in consolidation.

Note 4 – Inventory

Inventory at September 30, 2008 and December 31, 2007 consisted of the following:

	September 30, 2008	December 31, 2007
Raw Material	\$ 1,203,163	\$ 425,542
Packaging	331,367	250,018
Finished Goods	1,450,709	691,730
Consumables	358	336
	<u>2,985,597</u>	<u>1,367,626</u>
Less Obsolescence Reserve	(200,824)	(188,178)
Inventory, net	<u>\$ 2,784,773</u>	<u>\$ 1,179,448</u>

Note 5 – Marketable Security

During the year ended December 31, 2005, the Company purchased 2,063,768 shares of China Natural Gas, Inc. (traded on the OTCBB: CHNG) for \$2,867,346. At September 30, 2008 and December 31, 2007, the fair value of this investment was \$7,470,840 and \$14,239,999, respectively. As a result of the change in fair value of this investment the Company recorded an unrealized gain (loss) of (\$6,769,159) and \$2,517,806 the nine months ended September 30, 2008 and 2007, respectively; which is included in other comprehensive income (loss). At September 30, 2008, this represented a 7.1% interest in China Natural Gas, Inc.

Note 6 -Other Long-term Assets

During 2006, the Company acquired a 19.5% and a 19.8% interest in two local companies by investing a total amount of \$1,156,861 in cash.

Note 7 - Loan Receivable

In August 2006, the Company entered into an agreement to loan \$1,306,745 to an unrelated party. The loan is unsecured, payable by August 2008 and carries an interest rate of 13% per annum.

In November 2006, the Company entered into an agreement to loan \$814,096 to an unrelated party. The loan is unsecured, payable by November 2008 and carries an interest rate of 13% per annum.

During the three months ended September 30, 2008, these two loan receivables were paid off.

Note 8– Intangible Assets

Net intangible assets at September 30, 2008 and December 31, 2007 were as follows:

	2008	2007
Rights to use land	\$ 5,063,006	\$ 1,873,929
Fertilizers proprietary technology rights	1,170,400	1,096,704
	<u>6,233,406</u>	<u>2,970,633</u>
Less Accumulated amortization	(1,099,581)	(919,981)
	<u>\$ 5,133,825</u>	<u>\$ 2,050,652</u>

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

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.

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

Amortization expense for the Company's intangible assets for the nine month periods ended September 30, 2008 and 2007 amounted to \$128,320 and \$100,550, respectively.

Amortization expense for the Company's intangible assets over the next five fiscal years is estimated to be: 2008-\$299,500, 2009-\$299,500, 2010-\$299,500, 2011-\$299,500, 2012- \$299,500 and thereafter - \$3,636,000.

Note 9 – Stock Options and Warrants

Stock Options

Following is a summary of the stock option activity:

	Options outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding, December 31, 2007	136,000	\$5.39	\$0
Granted	400,000	0.70	
Forfeited	-	-	
Exercised	-	-	
Outstanding, September 30, 2008	<u>536,000</u>	\$1.89	\$0

Following is a summary of the status of options outstanding at September 30, 2008:

Outstanding Options		Exercisable Options			
Exercise Price	Number	Average Remaining Contractual Life	Average Exercise Price	Number	Average Exercise Price
\$5.00	100,000	0.93	\$5.00	100,000	\$5.00
\$5.80	10,000	1.50	\$5.80	10,000	\$5.80
\$6.72	26,000	2.25	\$6.72	26,000	\$6.72
\$0.70	400,000	2.50	\$0.70	400,000	\$0.70

The assumptions used in calculating the fair value of warrants granted in 2008 using the Black-Scholes option- pricing model are as follows:

Risk-free interest rate	2.05%
Expected life of the options	2.5 years
Expected volatility	128%
Expected dividend yield	0%

Note 10 – Employee Welfare Plans

The Company has established its own employee welfare plan in accordance with Chinese law and regulations. The Company makes annual contributions of 14% of all employees' salaries to employee welfare plan. The total expense for the above plan were \$0 and \$0 for the nine months ended September 30, 2008 and 2007, respectively. The Company has recorded welfare payable of \$31,991 and \$71,908 at September 30, 2008 and December 31, 2007, respectively, which is included in accrued expenses in the accompanying consolidated balance sheet.

Note 11 – 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.

Pursuant to the "Circular of the Ministry of Finance (MOF) on the Issue of Corporate Financial Management after the Corporate Law Enforced" (No.67 [2006]), effective on April 1, 2006, issued by the MOF, the companies will transfer the balance of SCWF as of December 31, 2005 to Statutory Surplus Reserve. Any deficit in the SCWF will be charged in turn to Statutory Surplus Reserve, additional paid-in capital and undistributed profit of previous years. If a deficit still remains, it should be transferred to retained earnings and be reduced to zero by a transfer from after tax profit of following years. At December 31, 2006, the Company did not have a deficit in the SCWF.

The Company has appropriated \$0 and \$0 as reserve for the statutory surplus reserve and welfare fund for the nine months ended September 30, 2008 and 2007, respectively.

Note 12 – Earnings Per Share

Earnings per share for nine months ended September 30, 2008 and 2007 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. There is no difference between basic and diluted earnings per shares for the nine months ended September 30, 2008 and 2007. For 2008 and 2007, the Company reported a net loss therefore and common stock equivalents would be anti-dilutive.

Note 13 – Current Vulnerability Due to Certain Concentrations

Four vendors provided 55%, 23.98%, 15.86%, and 1.18% of the Company's raw materials for the nine months ended September 30, 2008 and three vendors provided 70.3%, 10.5% and 7.5%, of the Company's raw materials for the nine months ended September 30, 2007.

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 14 – Litigation

The Company is involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of its business, including actions with respect to contracts, intellectual property (IP), product liability, employment, benefits, securities, and other matters. These actions may be commenced by a number of different constituents, including competitors, partners, clients, current or former employees, government and regulatory agencies, stockholders, and representatives of the locations in which it does business. The following is a discussion of some of the more significant legal matters involving the Company.

In late 2006, various shareholders of the Company filed eight purported class actions in the U.S. District Court for the Southern District of New York against the Company and certain of its officers and directors (among others), asserting claims under the federal securities laws. The complaints contain allegations

about prior financial disclosures and its internal controls and a prior, now-terminated relationship with a financial advisor.

The eight actions are Stephanie Tabor vs. Bodisen, Inc., et al., Case No. 06-13220 (filed November 2006), Fraser Laschinger vs. Bodisen, Inc., et al., Case No. 06-13254 (filed November 2006), Anthony DeSantis vs. Bodisen, Inc., et. al., Case No. 06-13454 (filed November 2006), Yuchen Zhou vs. Bodisen, Inc., et. al., Case No. 06-13567 (filed November 2006), William E. Cowley vs. Bodisen, Inc., et. al., Case No. 06-13739 (filed December 2006), Ronald Stubblefield vs. Bodisen, Inc., et. al., Case No. 06-14449 (filed December 2006), Adam Cohen vs. Bodisen, Inc., et. al., Case No. 06-15179 (filed December 2006) and Lawrence M. Cohen vs. Bodisen, Inc., et. al., Case No. 06-15399 (filed December 2006). Plaintiffs have not specified an amount of damages they seek. Last year, the Court consolidated each of the actions into a single proceeding.

In October 2008 the New York Federal Court presiding over the eight consolidated class actions against Bodisen and its management granted the Company's initial motion to dismiss the cases.

In addition, the court has notified Bodisen that it also granted the Company's second motion to dismiss, which challenged the subject matter jurisdiction of the court over about 40% of the class and thus sought to reduce the number of potential class plaintiffs significantly. The court has not provided the Company this written decision, however, the Company hopes to receive it soon.

In 2007, Ji Xiang, a shareholder of China Natural Gas (and son of its Chairman and CEO) instituted litigation in the Chinese court system in Shaanxi province challenging the validity of the Company's ownership of 2,063,768 shares of China Natural Gas common stock. The Company obtained these shares in September 2005 in a share transfer agreement and asserts that it has fully performed its obligations under the agreement and is entitled to own the shares. The parties in the Chinese litigation have submitted their evidence and now await a decision from the Chinese court. Also, in January 2008, the same shareholder instituted litigation in a Utah state court against Yangling Bodisen Biotech Development Co. Ltd. and Interwest Transfer Co. (China Natural Gas's transfer agent) seeking to prevent the Company from selling its shares in China Natural Gas. Plaintiff has obtained an order from the Utah court provisionally preventing the Company from selling the China Natural Gas shares pending a decision on the merits of the underlying dispute. The Company intends to vigorously and thoroughly defend itself against this claim. While the Company believes it will prevail in these litigation matters and establish its right of ownership to the China Natural Gas shares, an adverse outcome could have a material adverse effect on its business, financial condition, results of operations or liquidity.