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China Botanic Pharmaceutical
Form 10-Q
March 17, 2011

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

Form 10-Q

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

For the quarterly period ended January 31, 2011

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

For the transition period from _____ to _____

Commission File Number: 001-34808

CHINA BOTANIC PHARMACEUTICAL INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

88-1273503
(I.R.S. Employer
Identification No.)

No. 218, Taiping
Taiping District, Harbin, Heilongjiang Province, P.R. China 100016
(Address of principal executive offices)

86-451-5762-03787
(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 Securities Exchange Act of 1934 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. (Check one):

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

Accelerated filer
Smaller reporting company

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

Yes No

As of February 24, 2011, there were 37,239,536 shares of the registrant's \$0.001 par value common stock issued and outstanding.

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In this Quarterly Report on Form 10-Q, references to “dollars” and “\$” are to United States dollars and, unless the context otherwise requires, references to “we,” “us” and “our” refer to China Botanic Pharmaceutical Inc. and its consolidated subsidiaries.

This Quarterly Report contains certain forward-looking statements. When used in this Quarterly Report, statements which are not historical in nature, including the words “anticipate,” “estimate,” “should,” “expect,” “believe,” “intend,” “may,” “project,” “plan” or “continue,” and similar expressions are intended to identify forward-looking statements. They also include statements containing anticipated business developments, a projection of revenues, earnings or losses, capital expenditures, dividends, capital structure or other financial terms.

The forward-looking statements in this Quarterly Report are based upon management’s beliefs, assumptions and expectations of our future operations and economic performance, taking into account the information currently available to them. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties, some of which are not currently known to us that may cause our actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial condition we express or imply in any forward-looking statements. These forward-looking statements are based on our current plans and expectations and are subject to a number of uncertainties and risks that could significantly affect current plans and expectations and our future financial condition and results.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this filing might not occur. We qualify any and all of our forward-looking statements entirely by these cautionary factors. As a consequence, current plans, anticipated actions and future financial conditions and results may differ from those expressed in any forward-looking statements made by or on our behalf. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented herein.

PART I

Item 1. Financial Statements.

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CHINA BOTANIC PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	January 31,2011 (Unaudited)	October 31,2010 (Audited)
ASSETS			
Current assets:			
Cash and cash equivalents		\$ 12,384,621	\$ 27,826,142
Trade receivables, net	5	26,092,584	19,814,438
Due from related parties	11	56,424	28,877
Inventory, net	7	7,425,234	2,645,616
Other receivables, net	6	459,961	200,994
Total current assets		\$ 46,418,824	\$ 50,516,067
Property and equipment, net	8	1,998,403	2,069,460
Intangible Assets	9	1,935,435	1,953,617
Construction in progress	10	1,867,392	
Deposits for properties	11,12	33,701,821	18,605,935
Total assets		\$ 85,921,875	\$ 73,145,079
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable		486,287	333,555
Tax payable		2,073,744	1,064,066
Accrued employee benefits	15	1,808,409	1,645,192
Warrant Liabilities	16	155,428	342,770
Total liabilities		\$ 4,523,868	\$ 3,385,583
Shareholders' equity			
Preferred stock (no par value, 1,000,000 shares authorized; none issued and outstanding as of October 31, 2009 and 2008)	17		
Common stock (\$0.001 par value, 100,000,000 shares, authorized; 37,239,536 issued and outstanding as of October 31, 2009 and 2008, respectively)	17	37,240	37,240
Additional paid-in capital		7,653,782	7,627,987
Common stock warrants	18	496,732	496,732
Reserves	19	3,372,697	3,372,697
Accumulated other comprehensive income		5,433,214	4,768,793
Retained earnings		64,404,342	53,456,047
Total shareholders' equity		81,398,007	69,759,496
Total liabilities and shareholders' equity		\$ 85,921,875	\$ 73,145,079

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

CHINA BOTANIC PHARMACEUTICALS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Note	For the three months ended January 31,	
	2011 (Unaudited)	2010 (Unaudited)
Sales, net	\$ 22,625,060	\$ 17,132,614
Cost of goods sold	8,807,787	7,652,638
Gross profit	13,817,273	9,479,976