

## **China Biologic Products Reports First Quarter 2008 Results**

-- Net income increased 19.4% year-over-year to \$2.3 million or 11 cents per share basic

TAI'AN, Shandong, China, May 16 /Xinhua-PRNewswire-FirstCall/ -- China Biologic Products, Inc. (OTC Bulletin Board: CBPO) ("CBP" or the "Company"), one of the leading plasma-based pharmaceutical companies in the People's Republic of China ("PRC"), today reported financial results for the first quarter ended on March 31, 2008.

### **First Quarter 2008 Highlights**

-- Revenues increased 2.2% year-over-year to 7.8 million

-- Gross profits increased 33.6% to \$5.9 million over the first quarter of 2007, representing gross margin of 75.2%

-- Operating income totaled \$3.6 million, a 28.5% increase over the first quarter of 2007

-- Net income increased 19.4% year-over-year to \$2.3 million, or \$0.11 per share

"Despite the further tightened blood inspection process from the PRC government, we continued to see strong demand and price increases for our plasma-based products due to the increased purchasing power and health consciousness of Chinese consumers," said Mr. Stanley Wong, CEO of China Biologic Products. "We will continue our efforts to secure plasma supply as well as to upgrade our product portfolio. We are optimistic about our growth prospects, given that our new production line is expected to be in place by mid-2008, and is expected to expand our production capacity to 500-800 metric tons per annum."

During the quarter, the Company achieved the following milestones:

-- Common stocks commenced trading on the Over-the-Counter Bulletin Board (the "OTCBB");

-- "High-concentration Human Hepatitis B Immunoglobulin" R&D Project was listed in the National Torch Plan of China;

### **First Quarter 2008 Results**

Revenues for the first quarter of 2008 were \$7.8 million, a 2.2% increase, compared to \$7.7 million for the same period of 2007. The increase in revenues during the first quarter of 2008 is primarily attributable to a general increase in prices of plasma-based products together with foreign exchange translation benefits. During the first quarter of 2008, the Company's plasma-based products increased in price by approximately 78.4%, weighted average, period to period, which was offset by a decrease of in the volume of sales for three of the Company's products, including human albumin. The Company's

temporary suspension of production for 70 days during fourth quarter 2007, for maintenance and for the building of the new production line, had a temporary effect on the supply of finished products available for sale in the first quarter of 2008.

Gross profits increased 33.6% to \$5.9 million with gross margins of 75.2% for the first quarter of 2008, compared with approximately \$4.4 million and 57.5% in the first quarter of 2007, respectively. The increase in gross margin was mainly due to the increased sales of higher margin products.

Total operating expenses for the first quarter of 2008 were \$2.3 million, up 42.6% from the same period in 2007. Selling expenses increased 2.7% to \$0.49 million. General and administrative expenses increased 68.8%, which was mainly attributable to the increase in personnel costs and auditing and legal fees.

There were also increased activities related to investor relations and raising the profile of the Company in the US capital market. Research and development expenses increased 22.6% to \$0.18 million.

Income from operations grew 28.5% to \$3.6 million in the first quarter of 2008, representing operating margins of 46.3%, as compared to \$2.8 million and 36.9% during the same period of 2007.

Provision for income taxes increased 64.5% year-over-year, to over \$0.7 million. The Company provisioned its income tax for the first quarter of 2008 at the new PRC corporate unified income tax rate of 25%, as compared to the 15% preferential tax rate during the fiscal year 2007. The Company is in the process of applying for status as a new or high technology company in order to qualify for the favorable tax rate of 15%.

Net income for the first quarter of 2008 increased 19.4% year-over-year, to \$2.3 million, or \$0.11 per basic share and \$0.10 per diluted share.

### **Financial Condition**

As of March 31, 2008, CBP had \$5.2 million in cash, approximately \$10.5 million in working capital and a current ratio of 2.2. Shareholders' equity at the end of the first quarter of 2008 stood at \$25.8 million, compared to \$22.4 million at the end of 2007.

### **Recent Development**

#### **(1) Management change**

On May 9, 2008, Mr. Stanley Wong resigned as President and Chief Executive Officer of the Company, effective as of June 1, 2008. He will continue to serve as a consultant to the Company until the end of 2008 in order to ensure a smooth transition for the management. At the same time, Mr. Chao Ming Zhao resigned from his position as Chief Financial Officer in order to take over Mr. Wong's role as President and Chief Executive Officer, and Mr. Y. Tristan Kuo, the Company's Vice President-Finance, has been appointed to as the Company's new Chief Financial Officer, effective June 1, 2008.

(2) The Company announced its receipt of SFDA approval to Supply Cryoprecipitate in the second quarter of 2008.

(3) The Company received approval SFDA for Clinical Trial of Human Prothrombin Complex.

### **Business Outlook**

In recent years, the biopharmaceutical industry and the plasma-based product market have outperformed the pharmaceutical industry. The market for plasma-based products in China remains underserved with limited availability of products, offering substantial opportunities for China Biologic to grow its business.

The PRC government is limiting the number of companies in this industry and is not expected to issue new licenses in the foreseeable future. Furthermore, the import of foreign plasma-based products is severely restricted, creating a relatively closed market for domestic suppliers. The overall effect of recent government regulatory reform has been to reduce competition and increase the barriers to entry, creating a favorable industry structure for China Biologic.

To achieve its objective to become a first-class biopharmaceutical enterprise in China, the Company will continue to seek to secure its market position by enhancing existing products, introducing new products to meet customer demand, delivering quality products to customers in a timely manner and maintaining the already established industry reputation.

"We are very pleased to be operating in a more regulated market for plasma-based products after recent reforms launched by the government," said Mr. Stanley Wong, CEO of China Biologic Products. "We are going to continue our efforts to gain more market share and improve our product mix."

### **About China Biologic Products, Inc.**

China Biologic Products, Inc., through its indirect majority-owned subsidiary Shandong Taibang, is currently the only plasma-based biopharmaceutical company approved by the government of Shandong Province, the second largest province with a population of 93 million. The company is engaged primarily in research, manufacturing, and sale of plasma-based biopharmaceutical products to hospitals and other health care facilities in China. Plasma-based Human Albumin is used mainly to increase blood volume while Immunoglobulin is used for disease prevention and treatment.

### **Safe Harbor Statement**

This release contains certain "forward-looking statements" relating to the business of the Company and its subsidiary companies. All statements, other than statements of historical fact included herein are "forward-looking statements" including statements regarding the general ability of the Company to achieve its commercial objectives; the business strategy, plans and objectives of the Company and its subsidiaries; and any other statements of non-historical information. These forward-looking statements

are often identified by the use of forward-looking terminology such as "believes," "expects" or similar expressions, involve known and unknown risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Investors should not place undue reliance on these forward-looking statements, which speak only as of the date of this press release. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those discussed in the Company's periodic reports that are filed with the Securities and Exchange Commission and available on its website ( [www.sec.gov](http://www.sec.gov) ). All forward-looking statements attributable to the Company or to persons acting on its behalf are expressly qualified in their entirety by these factors other than as required under the securities laws. The Company does not assume a duty to update these forward-looking statements.

-- FINANCIAL TABLES FOLLOW --

## CHINA BIOLOGIC PRODUCTS, INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2008 AND DECEMBER 31, 2007

#### A S S E T S

March 31, December 31,

2008 2007

(Unaudited) (Audited)

#### CURRENT ASSETS:

Cash \$ 5,152,629 \$ 5,010,033

Accounts receivable, net of allowance for

doubtful accounts of \$1,281,172

and \$1,238,772 as of March 31, 2008 and 1,311,347 316,869

December 31, 2007, respectively

Notes receivable 42,840 41,130

Other receivables 441,526 425,163

Other receivable- related party 300,948 290,307

Inventories 11,520,085 9,505,074

Prepayments and deferred expense 243,073 138,756

Total current assets 19,012,448 15,727,332

PLANT AND EQUIPMENT, net 17,072,037 15,434,124

OTHER ASSETS:

Prepayments-non-current 850,130 711,459

Long term prepayment - related party 537,928 516,456

Intangible assets, net 930,584 915,874

Total other assets 2,318,642 2,143,789

Total assets \$ 38,403,127 \$ 33,305,245

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable \$ 2,471,482 \$ 2,677,587

Short term loans - bank 685,500

Short term loan - minority shareholder 752,720 722,674

Other payables and accrued liabilities 1,353,242 1,200,068

Other payable - land use right 317,896 305,571

Dividend payable 915,762 506,626

Customer deposits 1,362,936 398,794

Taxes payable 1,291,653 384,788

Total current liabilities 8,465,691 6,881,608

COMMITMENT AND CONTINGENCIES 40,030 142,120

MINORITY INTEREST 4,110,623 3,885,892

SHAREHOLDERS' EQUITY:

Common stock, \$0.0001 par value,	
100,000,000 shares authorized,	
21,434,942 shares issued and	
outstanding at March 31, 2008	
and December 31, 2007, respectively	2,143 2,143
Paid-in-capital	9,388,305 9,388,305
Statutory reserves	4,866,031 4,513,077
Retained earnings	7,798,152 5,883,306
Accumulated other comprehensive income	3,732,152 2,608,794
Total shareholders' equity	25,786,783 22,395,625
Total liabilities and	
shareholders' equity	\$ 38,403,127 \$ 33,305,245

CHINA BIOLOGIC PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Unaudited)

2008	2007
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REVENUES	\$ 7,849,007	\$ 7,677,852
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COST OF SALES	1,948,898	3,261,376
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GROSS PROFIT	5,900,109	4,416,476
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OPERATING EXPENSES

Selling expenses	494,529	497,613
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General and administrative	1,584,128	938,598
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expenses

Research and development expenses	183,782	149,907
TOTAL OPERATING EXPENSES	2,262,439	1,586,118
INCOME FROM OPERATIONS	3,637,670	2,830,358
OTHER EXPENSES		
Finance expense	22,973	44,645
Other expense	412	7,665
TOTAL OTHER EXPENSES	23,385	52,310
INCOME BEFORE PROVISION FOR INCOME		
TAXES AND MINORITY INTEREST	3,614,285	2,778,048
PROVISION FOR INCOME TAXES	740,482	450,110
NET INCOME BEFORE MINORITY INTEREST	2,873,803	2,327,938
LESS MINORITY INTEREST	606,003	429,095
NET INCOME	2,267,800	1,898,843
FOREIGN CURRENCY TRANSLATION GAIN	1,123,359	92,773
OTHER COMPREHENSIVE INCOME	\$ 3,391,159	\$ 1,991,616
BASIC EARNINGS PER SHARE		
Weighted average number of shares	21,434,942	21,434,942
Earnings per share	\$ 0.11	\$ 0.09
DILUTED EARNINGS PER SHARE		
Weighted average number of shares	21,964,168	21,434,942
Earnings per share	\$ 0.10	\$ 0.09

CHINA BIOLOGIC PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(UNAUDITED)

2008 2007

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income \$ 2,267,800 \$ 1,898,843

Adjustments to reconcile net income

to cash provided by operating activities:

Minority Interest 606,003 429,095

Depreciation 274,361 162,022

Amortization 26,157 10,859

Loss on disposal of equipment 166

Allowance for doubtful accounts 58,437

Change in operating assets and

liabilities:

Accounts receivable (960,482) (517,358)

Notes receivable (433,843)

Other receivables 1,285 (494,298)

Other receivables - shareholders 1,398 (604,391)

Inventories (1,585,462) (498,242)

Prepayments and deferred

expenses (96,457) 44,701

Accounts payable (310,692) 145,858

Other payables and accrued

liabilities 101,089 651,234

Customer deposits 927,456

Taxes payable 871,964 382,165

Contingent liability (105,707)

Net cash provided by operating 2,018,879 1,235,082

activities

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Additions to plant and equipment (1,249,620) (1,151,674)

Additions to construction in

progress (151,066)

Additions to intangible assets (3,285)

Advances on building, equipment and

intangible assets purchases (106,777) (560,523)

Net cash used in investing

activities (1,359,682) (1,863,263)

**CASH FLOWS FINANCING ACTIVITIES:**

Proceeds from short term loan - bank 1,290,100

Payments on short term loan - bank (698,850)

Payments on long term debt (129,010)

Dividends paid to minority (479,608)

shareholders

Net cash (used in) provided by

financing activities (698,850) 681,482

EFFECTS OF EXCHANGE RATE CHANGE IN CASH 182,249 9,890

INCREASE IN CASH 142,596 63,191

CASH, beginning of period 5,010,033 4,268,220

CASH, end of period \$ 5,152,629 \$ 4,331,411

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Source: China Biologic Products, Inc.

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