

China Biologic Products Announces Strong First Quarter 2009 Results

TAI'AN, Shandong, May 18 /PRNewswire-Asia-FirstCall/ -- China Biologic Products, Inc. (OTC Bulletin Board: CBPO) ("China Biologic," or the "Company"), one of the leading plasma-based pharmaceutical companies in the People's Republic of China ("PRC"), reported strong financial results for the first quarter of 2009.

First Quarter 2009 Highlights

- Revenues increased 169.4% year-over-year to a record \$21.1 million
- Gross profit increased 153.1% to \$14.9 million compared to the first quarter of 2008, representing a gross margin of 70.6%
- Operating income increased 176.6%, from the first quarter 2008 to \$10.1 million, representing an operating margin of 47.6%
- Net income was up 87.8% year-over-year to \$4.3 million, or \$0.20 per diluted share

"We are pleased to report exceptional revenue and net income results for our first quarter of 2009 as 'The New China Biologic Products'," said Mr. Chao Ming Zhao, CEO of China Biologic Products. "During the first quarter, we completed the government approval process for the transfer of 35% equity interest in Xi'an Huitian Blood Products Co., Ltd. We recently also completed the acquisition of a 90% controlling interest in Chongqing Dalin Biologic Technologies Co., Ltd., which owns 54% of the equity interest in Qianfeng Biologic Products Co., Ltd. Both of these acquisitions combined have transformed China Biologic into the largest non-state-owned plasma-based biopharmaceutical company in China. Our first quarter results reflect the consolidation of these interests and demonstrate the potential for significant earnings power ahead."

During the first quarter of 2009, the Company achieved the following milestones:

- The Company's indirect majority-owned subsidiary, Shandong Taibang Biological Products Co. Ltd. ("Shandong Taibang") was awarded the High-Technology Enterprise Certification by the provincial government in Shandong Province, which allows the Company to be taxed at the preferential income tax rate of 15% instead of at the regular 25% rate, for a period of 3 years commencing January 1, 2008.
- One of China Biologic Products' R&D projects, "High-Purity Human Albumin," was listed in the National Torch Plan of China.
- China Biologic Products completed the government approval process for the transfer of a 35% equity interest in Xi'an Huitian Blood Products Co., Ltd. in March 2009.

First Quarter of 2009 Results

Revenue for the first quarter of 2009 increased 169.4% to a record \$21.1 million compared with \$7.8 million in the first quarter of 2008. The increase in revenues for the first quarter of 2009 is primarily attributable to the revenue consolidation of Dalin which accounted for approximately 44.6% of the total revenue, a general increase in the price of plasma-based products, and a 12.4% increase due to the foreign exchange translation. During the first quarter of 2009, Dalin contributed to approximately \$9.5 million in revenue, and the rest of revenue was generated from Shandong Taibang, which experienced a 49.3% increase from the first quarter of 2008 to approximately \$11.6 million. All of the Company's approved products, except human hepatitis B immunoglobulin, recorded price increases ranging from 3.5% to 49.2%.

Sales breakdown of the Company's major plasma-based products, the human albumin products, accounted for 58.2% of sales in the first quarter of 2009, as compared to 58.1% in same period a year ago. Sales of human albumin products increased by 171.1% while the average selling price increased by 3.5%. The Company's human immunoglobulin for intravenous injection product represented 25.4% of revenues in the first quarter of 2009, as compared to 21.1% in the first quarter of 2008; its sales and average selling price increased by 224.6% and 14.7%, respectively. The Company's human tetanus immunoglobulin products represented 4.9% of revenues in the first quarter of 2009, as compared to 1.4% of revenues in the first quarter of 2008, and its sales and average selling price increased 823.1% and 34.3%, respectively.

Gross profit for the first quarter of 2009 was \$14.9 million, up 153.1% from \$5.9 million in the first quarter of 2008. Gross margin was 70.6% for the period ended March 31, 2009, compared to 75.2% for the first quarter of 2008. The decrease in the gross profit margin was primarily due to the increase in the cost of raw materials associated with the increased compensation fee for donors.

Operating expenses in the first quarter of 2009 rose 115.3% to \$4.9 million. Selling expenses increased 17.2% to \$0.6 million. As a percentage of sales, selling expenses in the first quarter of 2009 was 2.7%, down from 6.3% a year ago. General and administrative ("G&A") expenses increased 141.3% to \$3.8 million. As a percentage of sales, the G&A expenses decreased to 18.1% for the first quarter of 2009, from 20.2% for the same period in 2008. The dollar increase in the G&A expenses was mainly due to the consolidation of Dalin, the increase in personnel-related costs, extra depreciation and amortization expenses in connection with the acquisition of Dalin as result of fair value adjustments as well as additional professional service charges related to the acquisition of Dalin. Research and development expenses increased 154.5% to \$0.5 million, or 2.2% of total revenue compare to \$0.2 million in the first quarter of 2008 or 2.3% of total revenue. The dollar increase was due primarily to the consolidation of Dalin and increased costs from continuing clinical trial on new products.

Total other expenses in the first quarter of 2009 was \$0.8 million, as the Company recognized of a loss in the change in fair value of derivative liability in the amount of \$0.4 million, and net interest expense in the amount of \$0.4 million.

Provision for income taxes increased 174.2% to \$2.0 million for the first quarter of 2009, from \$0.7 million for the same period last year. The effective tax rate for the quarter was 21.9% as compared to 20.5% in the same period of 2008.

Net income attributable to controlling interest for the first quarter of 2009 was \$4.3 million, up 87.8% from \$2.3 million in first quarter of 2008. Fully diluted earnings per share were \$0.20 for the first quarter of 2009, compared to \$0.10 in first quarter of 2008.

Financial Condition

As of March 31, 2009, the Company had \$34.0 million in cash, approximately \$2.2 million in working capital and a current ratio of 1.0. Shareholder's equity at the end of the first quarter of 2009 was \$39.9 million, compared to \$37.2 million at the end of 2008. The Company generated \$7.1 million in net cash from operating activities for the first quarter of 2009.

Recent Developments

On April 17, China Biologic announced that it has completed the third installment payment towards the acquisition of a 90% equity interest in Chongqing Dalin Biologic Technologies Co., Ltd. ('Dalin') for a total consideration of RMB 194,400,000 (approximately \$28.5 million), in accordance with the terms of an equity transfer agreement with the Dalin shareholders, and is now entitled to all the rights and privileges of a 90% shareholder in Dalin and in Dalin's 54% majority-owned operating subsidiary, Qianfeng Biological Products Co., Ltd. ('Qianfeng'), one of the largest plasma-based biopharmaceutical companies in China, located in Guiyang, Guizhou Province.

On April 27, China Biologic received an order from one of the largest authorized biopharmaceutical distributors in India, to ship Company products valued at \$5.3 million to be sold under Shandong Taibang's own brand.

Business Outlook

On July 1, 2008, the SFDA implemented a new 90-day quarantine period on plasma raw material. This new measure further tightens the raw material that is available for production, and has adversely impacted the already short supply of plasma-based products. As a result, during the first quarter of 2009, the supply of plasma-based products remained very tight industry-wide. The continuing price increase of the Company's products since 2008 was primarily attributable to the government's stringent control on the quality standard of the plasma-based production industry, which resulted in a shortage in the supply of

finished products. The Company has been able to adjust its production plan to take advantage of the limited market supply of plasma resources to realize higher profit margins. In addition, there is a shortage in the market supply for human albumin products which has increased the value of the Company's products in the market place.

The plasma-based industry has been immune from the impact of the ongoing global financial crisis as the demand for the Company's products has outpaced supply. As a result, the Company's selling price, cost of revenue and operating expenses during the first quarter of 2009 were not impacted by the global financial turmoil. With the acquisitions of Huitian and Dalin, and its operating subsidiary Qianfeng, the Company is better situated to serve its existing and new customers with expanded production capacity and market coverage. Management expects that revenue growth will remain strong for the remainder of 2009.

Assuming the full year consolidation of Dalin, management estimates revenues for 2009 will be in the range of \$90 million to \$100 million with net income between \$18 million to \$22 million, including the equity investment income from the 35% acquisition of Hutian but excluding stock based compensation.

"Despite continued tough economic conditions worldwide, China Biologic continues to prosper due to favorable industry fundamentals, growing brand recognition, a solid business strategy and a highly defensible, scalable business model," remarked Mr. Zhao. "We see 2009 as a year in which we attain critical mass, and realize significant economies of scale as we integrate our acquisitions and increase our capacity utilization."

Conference Call

China Biologic will host a conference call at 8:00 a.m. EDT on Tuesday, May 19, 2009, to discuss the 2009 first quarter financial results. To participate in the conference call, please dial the following number five to ten minutes prior to the scheduled conference call time: 1-888-419-5570. International callers should dial +1-617-896-9871. The pass code for the call is 634 701 69. If you are unable to participate in the call at this time, a replay will be available for 14 days starting on Tuesday, May 19, 2009 at 10:00 a.m. EDT. To access the replay, dial 1- 888-286-8010. International callers should dial +1-617-801-6888. The conference pass code is 373 105 74.

About China Biologic Products, Inc.

China Biologic Products, Inc. (the "Company"), through its indirect majority-owned subsidiary, Shandong Taibang Biological Products Co. Ltd., and equity investments in Xi'an Huitian Blood Products Co., Ltd. and Chongqing Dalin Biologic Technologies Co., Ltd. is currently the largest non-state-owned plasma-based biopharmaceutical company approved by the Chinese government. The Company is a fully integrated biologic products company with plasma collection, production and manufacturing, research and

development, and commercial operations. The Company's blood products are irreplaceable in the application of medical emergencies, and prevention and treatment for various diseases. It sells its plasma-based biopharmaceutical products to hospitals and other healthcare facilities in China.

Safe Harbor Statement

This release may contain certain "forward-looking statements" relating to the business of China Biologic Products, Inc. and its subsidiary companies. All statements, other than statements of historical fact included herein are "forward-looking statements," including statements regarding: the Company's acquisitions and acquisition strategy and the benefits of the acquisitions, including the expected impact on the Company's 2009 revenues and net income; the 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 (<http://www.sec.gov>). All forward-looking statements attributable to the Company or 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 STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

(Unaudited)

2009 2008

REVENUES \$21,148,598 \$7,849,007

COST OF SALES 6,214,930 1,948,898

GROSS PROFIT 14,933,668 5,900,109

OPERATING EXPENSES:

Selling expenses 579,496 494,529

General and administrative expenses 3,822,907 1,584,128

Research and development expenses 467,727 183,782

Total operating expenses 4,870,130 2,262,439

INCOME FROM OPERATIONS 10,063,538 3,637,670

Equity in income of unconsolidated

affiliate -40,247 --

Change in fair value of warrant

liabilities 393,023 --

Interest expense (income), net 370,853 22,973

Other expense (income), net 51,315 412

Total other expenses (income), net 774,944 23,385

INCOME BEFORE PROVISION FOR INCOME TAXES

AND NONCONTROLLING INTEREST 9,288,594 3,614,285

PROVISION FOR INCOME TAXES 2,030,194 740,482

NET INCOME BEFORE NONCONTROLLING INTEREST 7,258,400 2,873,803

Less: Net income attributable to

noncontrolling interest 3,000,082 606,003

NET INCOME ATTRIBUTABLE TO CONTROLLING

INTEREST 4,258,318 2,267,800

OTHER COMPREHENSIVE INCOME:

Foreign currency translation adjustments 18,637 942,699

Comprehensive income attributable to

noncontrolling interest 427,302 184,467

COMPREHENSIVE INCOME \$4,704,257 \$3,394,966

BASIC EARNINGS PER SHARE:

Weighted average number of shares 21,434,942 21,434,942

Earnings per share \$0.20 \$0.11

DILUTED EARNINGS PER SHARE:

Weighted average number of shares 21,434,942 21,964,168

Earnings per share \$0.20 \$0.10

CHINA BIOLOGIC PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2009 AND DECEMBER 31, 2008

March 31, December 31,

2009 2008

(Unaudited)

ASSETS

CURRENT ASSETS:

Cash \$34,005,948 \$8,814,616

Notes receivable 468,800 --

Accounts receivable, net of allowance

for doubtful accounts of \$1,275,437

and \$1,268,052 as of March 31, 2009

and December 31, 2008, respectively 383,781 313,087

Accounts receivable - related party 631,803 --

Dividend receivable 147,055 147,256

Other receivables 845,780 356,957

Other receivables - related party 797,138 --

Inventories 26,700,002 14,949,196

Prepayments and deferred expense 1,133,535 614,704

Total current assets 65,113,842 25,195,816

PLANT AND EQUIPMENT, net 27,583,288 19,299,364

OTHER ASSETS:

Investment in unconsolidated affiliate 6,565,312 6,533,977

Refundable deposit for potential

acquisition -- 14,181,800

Prepayments - non-current 4,519,925 955,874

Intangible assets, net 21,636,063 1,002,561

Goodwill 13,692,473 --

Total other assets 46,413,773 22,674,212

Total assets \$139,110,903 \$67,169,392

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable \$3,502,387 \$2,481,889

Notes payable 29,300 29,340

Short term loans - bank 7,720,550 --

Short term loan - holder of

noncontrolling interest 772,223 773,277

Other payables and accrued liabilities 12,978,381 3,962,931

Other payable - land use right 29,281 1,683

Other payable - holder of
noncontrolling interest 1,333,795 --
Other payable - related party 2,563,643 --
Accrued interest - related party 305,966 --
Distribution payable to holder of
noncontrolling interest 4,166,692 3,252,354
Customer deposits 6,390,937 1,091,792
Taxes payable 5,211,498 4,060,010
Long term bank loan-current maturities 439,500 --
Investment payable 17,510,836 3,275,501
Total current liabilities 62,954,989 18,928,777

OTHER LIABILITIES:

Non-current other payable - land use
right 324,546 323,707
Long term loan-bank, net of current
maturities 8,790,000 5,868,000
Total other liabilities 9,114,546 6,191,707

Total liabilities 72,069,535 25,120,484

WARRANT LIABILITIES 2,061,049 --

COMMITMENTS AND CONTINGENCIES -- --

SHAREHOLDERS' EQUITY:

Common stock, \$0.0001 par value,
100,000,000 shares authorized,
21,434,942 shares issued and

outstanding at March 31, 2009

and December 31, 2008 2,143 2,143

Paid-in-capital 9,988,956 10,700,032

Statutory reserves 9,750,637 6,989,801

Retained earnings 15,960,158 15,392,253

Accumulated other comprehensive income 4,177,935 4,159,298

Total shareholders' equity 39,879,829 37,243,527

NONCONTROLLING INTEREST 25,100,490 4,805,381

Total equity 64,980,319 42,048,908

Total liabilities and shareholders'

equity \$139,110,903 \$67,169,392

CHINA BIOLOGIC PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

(Unaudited)

2009 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income attributable to

controlling interest \$4,258,318 \$2,267,800

Net income attributable to

non-controlling interest 3,000,082 606,003

Consolidated net income 7,258,400 2,873,803

Adjustments to reconcile net income

to cash provided by operating activities:

Depreciation 759,072 274,361

Amortization 838,459 26,157

(Gain) Loss on disposal of equipment -276 166

Allowance for bad debt 26,581 --

Stock based compensation 27,373 --

Change in fair value of warrant

liabilities 393,023 --

Equity in income of unconsolidated

affiliate -40,246 --

Change in operating assets and

liabilities:

Notes receivable -468,832 --

Accounts receivable -97,007 -960,482

Accounts receivable - related party -212,367 --

Other receivables -18,487 1,285

Other receivables - related party -- 1,398

Inventories -3,513,011 -1,585,462

Prepayments and deferred expenses -124,944 -96,457

Accounts payable -252,850 -310,692

Other payables and accrued

liabilities 307,916 101,089

Accrued interest - related party 305,966 --

Customer deposits 2,872,712 927,456

Taxes payable -979,190 871,964

Contingent liability -- -105,707

Net cash provided by operating

activities 7,082,292 2,018,879

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash acquired through acquisition 11,938,784 --

Purchase of plant and equipment -986,640 -1,249,620

Additions to intangible assets -88,845 -3,285

Advances on non-current assets -474,736 --

Advances on building acquired from -- -106,777

related party

Net cash provided by (used in)

investing activities 10,388,563 -1,359,682

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from short term bank loan 7,647,822 --

Payments on short term loan -- -698,850

Net cash provided by (used in)

financing activities 7,647,822 -698,850

EFFECTS OF EXCHANGE RATE CHANGE IN CASH 72,655 182,249

INCREASE IN CASH 25,191,332 142,596

CASH, beginning of period 8,814,616 5,010,033

CASH, end of period \$34,005,948 \$5,152,629

SUPPLEMENTAL DISCLOSURE OF CASH FLOW

INFORMATION

Income taxes paid \$1,783,619 \$ --

Interest paid (net of capitalized

interest) \$236,649 \$18,416

Non-cash investing and financing

activities:

Dividend paid by offsetting loan due

from holder of noncontrolling interest \$3,735,243 \$ --

Net assets acquired with prepayments

made in prior periods \$14,240,772 \$ --

Net assets acquired with unpaid

investment \$14,240,772 \$ --

Plant and equipment acquired with

prepayments made in prior periods \$87,305 \$ --

For more information, please contact:

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