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For Immediate Release

China-Biotics, Inc. Reports Second Quarter 2009 Financial Results

Shanghai, China – November 11, 2008 – China-Biotics, Inc. (NASDAQ: CHBT) (“China-Biotics”, “the Company”), a leading Chinese firm specializing in the manufacture, research, development, marketing and distribution of probiotics products, today announced its financial results for the second quarter of its 2009 fiscal year, ended September 30, 2008.

Second Quarter 2009 Highlights

- Net sales increased 47.0% year-over-year to \$11.5 million
- Gross profit increased 43.1% year-over-year to \$8.0 million
- Gross margin was 69.9%
- Net income was \$4.5 million
- Excluding a \$1.9 million gain related to the change in fair value of convertible notes, net income increased 30.4% year over year to \$2.6 million
- Diluted earnings per share was \$0.13, compared to \$0.11 the prior year
- Opened 27 retail outlets during the quarter, bringing the total number of outlets to 110 in 13 cities in China
- Signed agreement with Henan Square Pharmaceutical Co., Ltd to supply probiotics for its probiotics-based medicines
- Began installing equipment for its new manufacturing facility in Qing Pu Industrial Park in Shanghai
- Began trading on the Nasdaq Global Market in October

Second Quarter 2009 Results

During the second quarter of the 2009 fiscal year, net sales increased 47.0% to \$11.5 million from \$7.8 million the prior year, as a result of growth in the sales volume of new products and increases in the sales price of selected products. Sales also benefitted from an increase in the number of the Company’s Shining retail outlets to 110 from 22 the prior year. New products, including Shining Essence Stomach Protection Capsules, Shining Probiotics Protein Powder and other products accounted for 16.3% of total sales during the quarter, up from a combined 4.0% a year ago. Sales of bulk additives to commercial customers totaled \$1.4 million, or 12.2% of sales, during the second quarter of 2009, up from \$1.0 million, or 8.8% of sales, during the fiscal first quarter. There were no bulk additives sales in the second quarter the prior year.

“We are delighted to see continued revenue growth in the second quarter, as we benefitted from strong volume and price increases in our retail business and increased demand from our existing bulk additives customers,” said Mr. Jinan Song, Chairman and Chief Executive Officer of China-Biotics. “Our Shining retail outlet expansion resulted in an additional 27 openings during the quarter and should result in increased profits during the second half of the fiscal year. As we prepare for the completion of our new manufacturing facility, we are carefully balancing existing production capacity between our retail expansion and bulk additive business development. We signed one new bulk customer during the second quarter, and we remain in negotiations with more than 100 potential business clients.”

Gross profit during the quarter increased 43.1% to \$8.0 million from \$5.6 million in the second quarter the prior year. Gross margin was 69.9%, compared to 71.8% a year ago. This was primarily caused by an increase in the price of electricity used to run the Company’s manufacturing facility and an increase in the cost of packaging materials, including pulp and paper costs.

Selling expenses increased to \$2.8 million, or 24.5% of sales, from \$1.6 million, or 20.0% of sales, in the second quarter a year ago, as the Company significantly increased the number of retail outlets. General and administrative expenses increased to \$1.4 million, or 12.5% of sales, from \$1.1 million, or 13.9% of sales, in the second quarter of fiscal 2008. The increase was primarily related to \$0.3 million of additional research costs to develop and launch new products and staff and administrative costs incurred in connection with the construction of the new manufacturing facility. As of September 30, 2008, the Company had 339 employees and operated 110 Shining-branded retail outlets, up from 266 employees and 22 Shining outlets on September 30, 2007.

Operating expenses during the quarter were \$4.3 million, or 37.0% of sales, compared to \$2.6 million, or 33.9% of sales, a year ago.

Operating income for the quarter was \$3.8 million, compared to \$3.0 million a year ago.

Other income of \$2.0 million in the second quarter of 2009 consisted of a \$1.9 million book gain related to the change in the fair value of the \$25 million convertible notes issued in December 2007.

Net income for the second quarter was \$4.5 million. Excluding the \$1.9 million gain on the revaluation of the convertible notes, net income was \$2.6 million, up 30.4% from \$2.0 million during the same quarter a year ago.

Diluted earnings per share were \$0.13, calculated on a weighted average basis, compared with \$0.11 per diluted share in the second quarter of fiscal 2008. The calculation of diluted earnings per share for the second quarter of 2009 assumes full conversion of the convertible notes and thus excludes the gain from the change in fair value of the notes.

Six Month Results

Net sales for the first six months of fiscal 2009 were \$22.9 million, up 31.9% from \$17.3 million in the same period the prior year. Gross profit was \$16.1 million, or 70.6% of sales, up 29.4% from gross profit of \$12.5 million, or 72.0% of sales, in the first half of fiscal 2008. Operating income was \$8.1 million, or 35.4% of sales, up 5.1% from operating income of \$7.7 million, or 44.4% of sales, the prior year. Net income for the first six months of fiscal 2009 was \$7.7 million, or \$0.37 per diluted share, up from \$5.5 million, or \$0.32 per diluted share, in the same period of fiscal 2008.

Financial Condition

As of September 30, 2008, the Company had cash and cash equivalents of \$65.6 million and working capital of \$49.2 million. We were able to slightly increase our cash balance despite having \$11.7 million of capital expenditures during the first six months of 2009. Days' sales outstanding for the second quarter of the 2009 fiscal year was 85 days. At September 30, 2008, the Company had stockholders' equity of \$53.1 million.

In the first six months of 2009, China-Biotics generated \$12.7 million in cash flow from operations and recorded \$11.7 million in capital expenditures mainly related to the construction of its new \$27.5 million manufacturing facility, \$25 million of which is to be paid by the end of the third quarter of fiscal 2009. The remaining balance is expected to be paid during fiscal 2010. The Company believes its current cash balance, combined with cash flow from operations, will be sufficient to fund its planned expenditures during the next 12 months.

Business Outlook

The Company's new bulk additives production facility remains scheduled to begin production during the fiscal third quarter. As of September 30, 2008, China-Biotics had signed contracts with five business customers to supply those customers with bulk probiotics in powder form that can be added to products such as milk, ice cream, yogurt, baked goods and nutritional supplements. The Company was in discussions with more than 100 other potential customers in that segment in preparation for the plant coming online at the end of this calendar year.

With limited capacity in its existing production facility, management believes it is prudent to proceed with the retail outlet expansion at a measured pace, which will enable the Company to focus on the completion of the new manufacturing facility and signing on customers to fill production capacity once the new facility becomes operational. As a result, the Company's plan to open a total of 300 Shining retail outlets is expected to be completed in the 2010 fiscal year.

"As we look to the second half of the year, we continue to make great progress in our retail expansion strategy, and we expect that our new manufacturing facility will come online during the fiscal third quarter," Mr. Song said. "We now have 22 Shining outlets that have been open at least one year, and all of these have demonstrated very strong growth year-over-year. As we accelerate our rollout of Shining outlets, we expect a significant increase in selling expenses. However, sales from existing outlets should help to offset increased expenses, as 60% of our retail sales typically occur during the second half of our fiscal year. The bulk additive business should continue to expand, as our new facility becomes operational and we are able to take on additional orders."

Recent Events

In October 2008, the Company announced it was approved to list shares of its common stock on the Nasdaq Global market. Shares began trading on Nasdaq on October 23 under the symbol "CHBT."

Also in October 2008, the Company announced that it has engaged the Shanghai office of KPMG Advisory (China) Limited to assist the Company in complying with the financial reporting and controls requirements of Sarbanes-Oxley Act Section 404 ("SOX 404"). KPMG Shanghai's engagement is designed to assist China-Biotics as it complies with SOX 404, which requires the Company and its external auditor to report on the adequacy of the Company's internal financial reporting and controls systems after documenting and testing financial reporting and control procedures.

Conference Call

The company will host a conference call at 9:00 a.m. EST on, Tuesday, November 11, 2008, to discuss its financial results for the fiscal second quarter ended September 30, 2008. To participate in the event by telephone, please dial 888-241-0558 five to 10 minutes prior to the start time (to allow time for registration) and reference passcode 71784337. International callers should dial 647-427-3417. The conference call will be broadcast live over the Internet and can be accessed by all interested parties at the Company's Web site, www.chn-biotics.com. To listen to the call, please visit the site at least 15 minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to participate during the live webcast, it will be archived using the same link for 90 days. A digital replay of the call will also be available on Tuesday, November 11, at approximately 11:00 a.m. EST through Tuesday, November 18, at midnight EST. Dial 800-677-6425 and enter the conference ID number 71784337. International callers should dial 402-220-1449 and enter the same conference ID number.

Use of Non-GAAP Financial Information

GAAP results for the second quarter ended September 30, 2008, include a non-cash gain related to the change in fair value of the Company's convertible notes. To supplement the Company's condensed consolidated financial statements presented on a GAAP basis, the Company has provided non-GAAP financial information excluding the impact of this item, which is non-GAAP net income, in this release. The Company's management believes that this non-GAAP measure provides investors with a better understanding of how the results relate to the Company's historical performance. A reconciliation of adjustments to GAAP results appears in the table accompanying this press release. This additional non-GAAP information is not meant to be considered in isolation or as a substitute for GAAP financials. The non-GAAP financial information that the Company provides also may differ from the non-GAAP information provided by other companies.

About China-Biotics, Inc.

China-Biotics, Inc. ("China-Biotics," "the Company"), a leading manufacturer of biotechnology products and supplements, engages in the research, development, marketing and distribution of probiotics dietary supplements. Through its wholly owned subsidiary, Shanghai Shining Biotechnology Co., Ltd., the Company has operations in Shanghai. Its proprietary product portfolio contains live microbial nutritional supplements under the "Shining" brand. Currently, the products are sold OTC through large distributors to pharmacies and supermarkets in Shanghai, Jiangsu, and Zhejiang. China-Biotics plans to launch 300 Shining brand retail outlets in major cities in China. Currently, China-Biotics is strategically expanding its production capacity of probiotics to meet growing demand in the bulk additive market. For more information, please visit <http://www.chn-biotics.com>.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Any statements set forth above that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such factors include, but are not limited to, the Company's ability to market existing and new products, ability to access to capital for expansion, and changes from anticipated levels of sales, future national or regional economic and competitive conditions, market acceptance of its retail store concept, changes in relationships with customers, dependence on its flagship product profits and other factors detailed from time to time in the Company's filings with the United States Securities and Exchange Commission and other regulatory authorities. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CHINA-BIOTICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts expressed in US Dollars)

	September 30, 2008	March 31, 2008
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 65,633,495	\$ 64,310,448
Accounts receivable	10,447,251	13,214,531
Other receivables	243,497	238,835
Inventories	765,640	408,358
Prepayment	1,828,612	1,806,605
Total current assets	\$ 78,918,495	\$ 79,978,777
Property, plant and equipment and land use right	27,309,641	13,812,749
Total assets	\$ 106,228,136	\$ 93,791,526
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 3,448,485	\$ 2,786,180
Tax payables	24,094,685	22,317,982
Other payables and accruals	2,127,050	1,792,156
Total current liabilities	\$ 29,670,220	\$ 26,896,318
Non-current liabilities		
Convertible note, with embedded derivatives of \$5,087,000, net of discount of \$7,341,762 as of September 30, 2008	\$ 22,745,238	\$ 22,197,635
Interest payable	740,628	302,306
Total non-current liabilities	\$ 23,485,866	\$ 22,499,941
Commitments and contingencies		
Stockholders' equity:		
Common stock (par value of \$0.0001, 100,000,000 shares authorized, 41,461,004 shares issued and outstanding as of September 30, 2008)	\$ 4,146	\$ 4,146
Additional paid-in capital	7,863,031	7,863,031
Retained earnings	37,536,014	29,827,144
Treasury stock at cost (24,381,004 shares)	(2,438)	(2,438)
Accumulated other comprehensive income	4,645,503	3,677,590
Capital and statutory reserves	3,025,794	3,025,794
Total stockholders' equity	\$ 53,072,050	\$ 44,395,267
Total liabilities and stockholders' equity	\$ 106,228,136	\$ 93,791,526

CHINA-BIOTICS, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts expressed in U.S. Dollars)

	Three months ended		Six months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Net sales	\$ 11,495,249	\$ 7,820,163	\$ 22,865,906	\$ 17,335,496
Cost of sales	-3,462,853	-2,205,623	-6,721,522	-4,856,595
Gross profit	\$ 8,032,396	\$ 5,614,540	\$ 16,144,384	\$ 12,478,901
Operating expenses:				
Selling expenses	\$ -2,813,563	\$ -1,561,936	\$ -5,183,422	\$ -2,878,280
General and administrative expenses	-1,438,137	-1,087,053	-2,864,933	-1,896,617
Total operating expenses	\$ -4,251,700	\$ -2,648,989	\$ -8,048,355	\$ -4,774,897
Income from operations	\$ 3,780,696	\$ 2,965,551	\$ 8,096,029	\$ 7,704,004
Other income and expenses:				
Changes in the fair value of embedded derivatives	\$ 1,904,000	\$ -	\$ 665,000	\$ -
Other income	157,468	282	1,862,988	71,942
Other expenses	-50,947	-13,011	-217,579	-19,935
Total other income (expenses)	\$ 2,010,521	\$ -12,729	\$ 2,310,409	\$ 52,007
Income before taxes	\$ 5,791,217	\$ 2,952,822	\$ 10,406,438	\$ 7,756,011
Provision for income taxes	-1,319,097	-982,689	-2,697,568	-2,245,645
Net income	\$ 4,472,120	\$ 1,970,133	\$ 7,708,870	\$ 5,510,366
Earnings per share:				
Basic	\$ 0.26	\$ 0.11	\$ 0.45	\$ 0.32
Diluted	\$ 0.13	\$ 0.11	\$ 0.37	\$ 0.32
Weighted average shares outstanding:				
Basic	17,080,000	17,080,000	17,080,000	17,080,000
Diluted	19,163,333	17,080,000	19,163,333	17,080,000

CHINA-BIOTICS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Amounts expressed in US Dollars)

	Six months ended	
	September 30,	
	<u>2008</u>	<u>2007</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	\$ 7,708,870	\$ 5,510,366
Adjustment for:		
Changes in the fair value of embedded derivatives	(665,000)	-
Depreciation	863,740	349,111
(Increase)/Decrease in accounts receivable	3,044,946	5,992,036
(Increase)/Decrease in inventories	(344,093)	(383,380)
(Increase)/Decrease in prepayments	19,822	(1,693,248)
Increase/(Decrease) in accounts payable	586,894	239,274
withholding tax	1,249,548	828,172
Increase/(Decrease) in other payables and accruals, and value added tax payable	205,230	348,841
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 12,669,957</u>	<u>\$ 11,191,172</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of fixed assets	<u>\$ (11,662,222)</u>	<u>\$ (4,027,160)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	<u>\$ (556,164)</u>	<u>\$ -</u>
Effect of exchange rate changes on cash	<u>\$ 871,476</u>	<u>\$ 1,065,937</u>
BALANCES	<u>\$ 1,323,047</u>	<u>\$ 8,229,949</u>
CASH AND CASH EQUIVALENTS BALANCES AT BEGINNING OF PERIOD	<u>64,310,448</u>	<u>26,992,025</u>
PERIOD	<u>\$ 65,633,495</u>	<u>\$ 35,221,974</u>

CHINA-BIOTICS, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL DATA

Non-GAAP Net income	Three months ended September 30, 2008	Three months ended September 30, 2007
Net Income (Loss)	\$ 2,568,120	\$ 1,970,133
Adjustments		
Non-cash gain from change in fair value of embedded derivatives	1,904,000	-
Amount per consolidated statement of operations	\$ 4,472,120	\$ 1,970,133

Non-GAAP Net income	Six months ended September 30, 2008	Three months ended September 30, 2007
Net Income (Loss)	\$ 7,043,870	\$ 5,510,366
Adjustments		
Non-cash gain from change in fair value of embedded derivatives	665,000	-
Amount per consolidated statement of operations	\$ 7,708,870	\$ 5,510,366

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