

**China-Biotics, Inc. Reports 62% Revenue Growth
for the First Quarter of Fiscal Year 2011**

- Q1 Revenue Grew 61.8% to \$24.9M; diluted EPS \$0.39 -
- Free Cash Flow of \$3.9M -

SHANGHAI, China, August 9, 2010, China-Biotics, Inc. (NASDAQ: CHBT) ("China-Biotics" or "the Company"), a leading developer, manufacturer and distributor of probiotics products in China, today reported its financial results for the first quarter of its 2011 fiscal year, ended June 30, 2010.

First Quarter FY2011 Highlights

- Net sales increased 61.8% year-over-year to \$24.9 million;
- Bulk products sales increased 170% year-over-year and 46% sequentially;
- Gross profit increased 56.8% year-over-year to \$17.1 million, with a gross margin of 68.6%;
- Operating margin was 47.6% vs. 44.6% a year ago and 42.2% in the preceding quarter;
- GAAP net income was \$18.9 million, or \$0.39 per diluted share;
- Excluding the non-cash gains from change in fair value of convertible bonds, non-GAAP net income was a quarterly record of \$9.7 million, or non-GAAP diluted EPS \$0.39;
- Cash and cash equivalents were \$159.8 million;
- Bulk facility achieved 60MT annualized plant utilization.

Mr. Jinan Song, China-Biotics' Chairman and CEO commented, "We are very excited to report the record-setting first quarter results as our business has outperformed our expectations by all metrics. The rapidly growing sales of our bulk additive products, improving economies-of-scale, launches of new retail products all contributed to another robust quarter. In particular, the successful integration of our bulk additives facility has enabled us to quickly ramp up production to meet high demand from dairy producers and animal feed manufacturers. Our retail business also expanded steadily as quarterly sales increased 22% year-over-year."

Mr. Song continued, "With favorable receptions of our bulk products in the marketplace and the higher production utilization in our recently opened new Qingpu facility, our top line growth, once again, outpaced that of our operating expenses. We remain focused on strengthening our core competence by continuing investing in R&D and new product development. We successfully launched 3 retail products and recruited critical research talents."

First Quarter FY2011 Financial Results

Net sales in the first quarter of fiscal year 2011 increased by 61.8% to \$24.9 million from \$15.4 million in the first quarter of fiscal year 2010. The increase was primarily due to increased sales volume in retail and bulk additive products, and bulk additive products accounted for 40% of total quarterly net sales. Bulk sales increased by 170% year-over-year and 46% quarter-over-quarter from the fourth quarter of fiscal year 2010.

Gross profit increased 56.8% to \$17.1 million from \$10.9 million in the same period of fiscal year 2010. Gross margin was 68.6% compared with 70.8% in the same period of fiscal year 2010. The decline in blended gross margin was mainly attributable to a product mix change as comparatively lower margin bulk products increasingly account for larger share of the total sales.

General and administrative (G&A) expenses amounted to \$1.2 million, compared with \$1.1 million in the previous year. The increase of general and administrative expenses was

primarily due to the increase of professional fees and staff costs. As of June 30, 2010 the Company had a total of 513 employees, compared with 379 as of June 30, 2009. However, G&A expenses as a percentage of revenue decreased from 6.9% in the first quarter of fiscal year 2010 to 4.8% for the first quarter of fiscal year 2011.

Research and development (R&D) expenses were \$1.1 million, a 60.5% increase from \$0.7 million in the first quarter of fiscal year 2010. The increase in R&D expenses was mainly due to additional research costs related to the development of new products. R&D expenses as a percentage of revenue was 4.3%, in line with the first quarter of fiscal year 2010.

Selling expenses for the first quarter of fiscal year 2011 were \$3.1 million, compared with \$2.3 million in first quarter in fiscal year 2010. This increase in selling expenses was primarily caused by the increase of overall sales. However, selling expenses as a percentage of revenue decreased from 15.2% in the first quarter of fiscal year 2010 to 12.3% for the first quarter of fiscal year 2011.

Total operating expenses for the first quarter of fiscal year 2011 were \$5.2 million compared with \$4.0 million in the first quarter of fiscal year 2010. Operating expenses as a percentage of revenue decreased from 26.3% in the first quarter fiscal year 2010 to 21.0% in the first quarter of fiscal year 2011.

Operating income was \$11.9 million compared with \$6.9 million in the same period of fiscal year 2010, reflecting a 72.8% year-over-year increase.

GAAP net income for the first quarter of fiscal year 2011 was \$18.9 million, compared with net income of \$5.8 million in the same period of fiscal year 2010. Diluted net income per share were \$0.39, compared with diluted earning per share \$0.34 in the same period of fiscal year 2010, on a substantially greater number of shares outstanding.

Excluding the non-cash gains from the change in value of convertible bonds, non-GAAP net income was a quarterly record of \$9.7 million, compared with \$5.3 million in the first quarter of fiscal year 2010, a robust 83.5% year-over-year increase. Non-GAAP diluted EPS was \$0.39, increased from \$0.27 in the same quarter of fiscal year 2010, on a substantially greater number of shares outstanding.

For the three months ended on June 30, 2010, the total shares outstanding on both GAAP and non-GAAP fully diluted basis were 24,453,333, as compared to non-GAAP diluted basis of 19,163,333 shares and GAAP diluted basis of 17,080,000 shares a year ago, respectively.

As of June 30, 2010, the Company had cash and cash equivalents totaling \$159.8 million, compared with \$155.6 million at the end of March 2010. The company had a convertible note amounted at \$25 million with conversion price at \$12, whose expiration date is on December 11, 2010. Total stockholders' equity rose to \$175.4 million at June 30, 2010, from \$156.2 million at March 31, 2010.

Net cash-flow from operating activities was \$6.1 million as compared to 5.2 million in the same quarter last year. Free cash flow was \$3.9 million compared with \$4.3 million in the first quarter of fiscal year 2010.

Recent Developments

Subsequent to the first quarter of fiscal year 2011, China-Biotics gained more bulk customers and the total number of bulk customers increased to 38 by the end of June. Among the 38 customers, 4 are animal feed producers and the remaining are dairy enterprises. The Qingpu facility produced over 15 metric tons of bulk probiotics products during the first quarter of fiscal year 2011 and the production utilization rate has steadily ramped up to over 60 metric tons on an annual basis.

In April 2010, the Ministry of Health in China expanded its probiotics list for food industry to include 21 different probiotics strains. China-Biotics' strain portfolio includes all of the listed strains and they are widely used in the Company's bulk additive products.

In July 2010, the Company's Board of Directors has approved a share repurchase program under which the Company may purchase up to \$20 million of the Company's outstanding common stock from time-to-time over the next 12 months. The Company plans to fund repurchases from its available cash balance.

Outlook for the Fiscal Year 2011

For fiscal year 2011, the management maintains the expectation that net sales to be at least 50% year-over-year growth. This target is based on the Company's current views on the operating and market conditions, which are subject to change.

Mr. Jinan Song, Chairman and CEO of China-Biotics, concluded, "We remain bullish on the outlook of fiscal year 2011. We will continue to invest in R&D in probiotics studies and applications, strengthen our product portfolio. The Qingpu facility's strong utilization rate growth demonstrated not only the depth of the probiotics demand in China, but our competitiveness of our products in the marketplace as well. As Chinese government is stepping up on the food safety measures and Chinese consumers are increasing their healthcare expenditures, we expect that more and more dairy and animal feed companies will embrace and increase the use of our probiotics products."

Conference Call

The Company will host a conference call, to be simultaneously webcast, on Monday, August 9, 2010, at 8:00 a.m. Eastern Daylight Time or 8:00 p.m. Beijing Time. Interested parties may participate in the conference call by dialing +1-866-783-2138 (North America) or +1-857-350-1597 (International), passcode: 76874068, approximately 10 minutes before the call start time. A live webcast of the conference call will be available on the Company's Website at <http://www.chn-biotics.com>.

A replay of the call will be available shortly after the conclusion of the earnings conference call through midnight EDT, on August 16, 2010. Interested parties may access the replay by dialing +1-888-286-8010 (North America) or +1-617-801-6888 (International) and entering passcode: 75529413.

About China-Biotics

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 in China. Through its wholly owned subsidiary, Shanghai Shining Biotechnology Co., Ltd., the Company develops and produces its proprietary product portfolio including 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 province. In February 2010, China-Biotics began its commercial production in China's largest probiotics production facility to meet growing demand in China. For more information, please visit <http://www.chn-biotics.com>.

Safe Harbor Statement

The information in this release contains forward-looking statements which involve risks and uncertainties, including statements regarding the Company's capital needs, business

strategy and expectations. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements, which may be identified by terminology such as "may," "should," "will," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," "forecast," "project," or "continue," the negative of such terms or other comparable terminology. Readers should not rely on forward-looking statements as predictions of future events or results. Any or all of the Company's forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions, risks and uncertainties and other factors which could cause actual events or results to be materially different from those expressed or implied in the forward-looking statements. In evaluating these statements, readers should consider various factors, including the risks described in "Item 1A. Risk Factors" beginning on page 17 and elsewhere in the Company's 2010 Annual Report on Form 10-K. These factors may cause the Company's actual results to differ materially from any forward-looking statement. In addition, new factors emerge from time to time and it is not possible for the Company to predict all factors that may cause actual results to differ materially from those contained in any forward-looking statements. The Company disclaims any obligation to publicly update any forward-looking statements to reflect events or circumstances after the date of this document, except as required by applicable law.

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

	June 30, 2010	March 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 159,753,695	\$ 155,579,371
Accounts receivable, net	25,122,632	21,008,664

Other receivables	566,028	791,907
Inventories	1,063,379	1,100,707
Amount due from a director	2,351,618	2,367,892
Prepayment	863,502	1,104,149
Total current assets	\$ 189,720,854	\$ 181,952,690
Land use right	1,794,984	1,797,082
Property, plant and equipment, net	52,911,209	48,886,077
Deferred tax assets	-	298,833
Total assets	\$ 244,427,047	\$ 232,934,682
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 4,455,795	\$ 5,850,988
Tax payables	29,779,492	28,989,337
Other payables and accruals	2,440,964	1,815,487
Convertible note, net of discount of \$1,956,236 and 2,853,076 as of June 30, 2010 and March 31, 2010 respectively	23,045,764	22,146,906
Embedded derivatives	5,589,000	14,797,000
Interest payable	3,690,507	3,156,035
Total current liabilities	\$ 69,001,522	\$ 76,755,753
Commitments and contingencies		
Stockholders' equity:		
Common stock (par value of \$0.0001, 100,000,000 shares authorized, 46,751,004 shares issued and 22,370,000 outstanding as of June 30, 2010 and as of March 31, 2010)	\$ 4,675	\$ 4,675
Additional paid-in capital	82,769,074	82,769,074
Retained earnings	84,303,530	65,441,994
Treasury stock at cost (24,381,004 shares)	(2,438)	(2,438)
Accumulated other comprehensive income	5,324,890	4,939,830
Capital and statutory reserves	3,025,794	3,025,794
Total stockholders' equity	\$ 175,425,525	\$ 156,178,929
Total liabilities and stockholders' equity	\$ 244,427,047	\$ 232,934,682

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

	Three months ended	
	June 30,	
	2010	2009
Net sales	\$ 24,935,719	\$ 15,412,462
Cost of sales	(7,818,475)	(4,498,673)
Gross profit	\$ 17,117,244	\$ 10,913,789
Operating expenses:		
Selling expenses	\$ (3,058,378)	\$ (2,347,592)
General and administrative expenses	(1,202,538)	(1,060,296)
Research and development costs	(1,082,499)	(674,369)
Other income/expense, net	96,854	36,448
Total operating expenses	\$ (5,246,561)	\$ (4,045,809)
Income from operations	\$ 11,870,683	\$ 6,867,980
Other income and expenses:		
Changes in the fair value of embedded derivatives	\$ 9,208,000	\$ 514,000
Interest income	87,876	67,088

Total other income	\$	9,295,876	\$	581,088
Income before taxes	\$	21,166,559	\$	7,449,068
Provision for income taxes		(2,305,023)		(1,681,319)
Net income	\$	18,861,536	\$	5,767,749

Earnings per share:

Basic	\$	0.84	\$	0.34
Diluted	\$	0.39	\$	0.34

Shares used in computation of earnings per share

Basic		22,370,000		17,080,000
Diluted		24,453,333		17,080,000

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

	Three months ended June 30,	
	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	\$ 18,861,536	\$ 5,767,749
Adjustment for:		
Changes in the fair value of embedded derivatives	(9,208,000)	(514,000)
Loss on disposal of plant and equipment	32,548	-
Change in deferred tax	298,894	-
Depreciation	606,782	455,593
Increase in accounts receivable	(4,012,457)	(1,554,722)
Decrease in others receivable	258,116	-
Decrease/(Increase) in inventories	41,669	(442,744)
Decrease in prepayments	214,208	310,213
Decrease/(Increase) in accounts payable	(1,413,632)	1,097,403
Decrease in other payables and accruals	(230,124)	(515,764)
Increase in tax payables	668,991	620,948
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 6,118,531	\$ 5,224,676
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of fixed assets	\$ (2,212,428)	\$ (881,407)
NET CASH USED IN INVESTING ACTIVITIES	\$ (2,212,428)	\$ (881,407)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash advance to a director	-	2,106,368
NET CASH FROM FINANCING ACTIVITIES	\$ -	\$ 2,106,368
Effect of exchange rate changes on cash	268,221	133,043
NET INCREASE IN CASH AND CASH EQUIVALENTS BALANCES	\$ 4,174,324	\$ 6,582,680
CASH AND CASH EQUIVALENTS BALANCES AT BEGINNING OF PERIOD	155,579,371	70,824,041
CASH AND CASH EQUIVALENTS BALANCES AT END OF PERIOD	\$ 159,753,695	\$ 77,406,721

Use of Non-GAAP Financial Measures

GAAP results for the first quarters ended June 30, 2010 and 2009, include non-cash losses or gains related to 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 these items in this release, which are non-GAAP net income and non-GAAP diluted earnings per share. The Company's management believes that these non-GAAP measures provide 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 tables accompanying this press release. This additional non-GAAP information is not meant to be considered in isolation or as a substitute for GAAP financials.

	Three Months Ended June 30,			
	<u>2010</u>		<u>2009</u>	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Adjusted Net income				
Adjusted Amount	9,653,536	0.39	5,253,749	0.27
Adjustments				
Non-cash (losses) gains from change in fair value of convertible bonds	9,208,000	0.45	514,000	0.07
Amount per consolidated statement of operations	18,861,536	0.84	5,767,749	0.34

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