

BEIJING, Aug. 14 /PRNewswire-Asia/FirstCall/ -- Lotus Pharmaceuticals, Inc. (OTC Bulletin Board: LTUS) ("Lotus" or the "Company"), a growing developer and producer of prescription drugs and licensed national seller of pharmaceutical products in the People's Republic China, today reported its financial results for the quarter and six months ended June 30, 2009.

Second Quarter ("Q2") 2009 Highlights and Developments:

- Q2 diluted EPS of \$0.10
- Q2 net income increased 120% to \$4.8 million
- Q2 gross margin of 57.9% compared to 50.0% in Q2 of 2008
- Participated in the April 2009 61st PHARMCHINA in Zhengzhou, China, one of the largest exhibitions in Chinese pharmaceutical industry with a history of over 30 years, and entered sales agreements with five new distributors which the Company believes may increase the Company's market share
- Exhibited at the June 26-28 2009 International Conference for Bioeconomy/the 44th New Drugs Expo and increased its wholesale portfolio with three new drugs
- Started and completed building foundation of Inner Mongolia new facility, which the Company believes accounts for approximately 5% of the total build-out
- Awarded with Good Supply Practices Certification
- Two investors of preferred shares from the 2008 private placement financing opted to convert 172,413 shares of preferred stock to 172,413 shares of common stock of the Company under Rule 144

Revenues for the second quarter of 2009 decreased 30% to \$13.6 million from \$19.4 million of the same period of 2008. Wholesale revenues, one of the revenue segments, accounting for 78% of total revenues, decreased 25% due to the Company's 2009 product pricing policy(1). Average unit wholesale selling price decreased 43% in the second quarter of 2009 over the same period of 2008, while 26% increase in wholesale quantities over the second quarter 2008. Retail revenues accounting for 20% of total revenues decreased 24% due to weak consumer demand for non-essential drugs.

Gross margins for the second quarter of 2009 increased to 57.9% as compared to 50.0% in the second quarter of 2008. Dr. Zhongyi Liu, Chairman and CEO of Lotus commented, "We are very pleased with our growth in sales quantities and gross margins of this quarter. Our pricing policy for 2009 has been adjusted accordingly due to the expected inflation contraction on the wholesale level nationally. We have been able to reduce the cost of sales mainly because Active Pharmaceutical Ingredient ("API") and essential medicine prices have dropped since the onset of economic slowdown."

Total operating expenses for the second quarter 2009 were \$2.6 million, a 63% decrease from the second quarter of 2008. The decrease resulted from the decrease of selling expenses in relation to our drugs that have established certain market shares, which was due to the profit margins we have given away

to our agents who in turn are incentivized to sell our established drugs at competitive prices.

Dr. Liu commented, "We are very pleased to obtain the approval from the Beijing Land Planning Bureau for permitting us to build a new office building on our current production base which was previously industrial-use-only land in Beijing. This means that we can finally bring all of our operational units such as administration, sales, R&D and production into a single office building. This is another important step we made towards improving our operational efficiency."

Net income for the second quarter of 2009 was \$4.8 million, or \$0.10 per diluted share, compared to \$2.2 million, or \$0.05 per diluted share, in the second quarter of 2008.

The Company's cash position at the end of the second quarter was \$1.8 million, compared to \$1.3 million at the end of 2008.

"We actively exhibit at all the important drug expos in China, through which we build strong customer relationships. We continue to fulfill our promise to bring new drugs to the market and to reach out new customers," commented Dr. Zhongyi Liu. "In addition to one new prescription drug, Qingkailing Paotengpian, we are now offering new drugs to our national sales network for the treatment of acute suppurative tonsillitis, acute upper respiratory infection, pneumonia and high fever. We are also selling two new OTC drugs: (i) NINGXIN Yishen Oral Liquid, which improves immune system and sleep, and reduces fatigue, and (ii) Shuanghuanglian Oral Liquid, which is used to treat influenza symptoms. For the three new drugs we offered, we provided promotions with introduction meetings for customers and agents in Beijing, Anhui and Inner Mongolia. Currently, we are selling a total of 15 types of drugs through our wholesale channels nationwide."

#### Six-Month Results

For the six-month period ended June 30, 2009, total revenues were \$25.5 million, a decrease of 18.1% from \$31.1 million in the same period last year. Gross profit was \$14.5 million, up 6.6% from gross profit of \$13.6 million for the six months of 2008. Gross margin was 57.1%, compared to 43.8% for the first six months of 2008. Operating income was \$9.5 million, compared to \$4.3 million for the first six months of fiscal 2008.

Net income for the period was \$8.4 million, an increase of 163% from \$3.2 million in the same period last year. Earnings per share (diluted) for the first half of 2009 was \$0.17, compared to \$0.07 in the first half of 2008.

Improved cash flows from operating activities was \$16.3 million, compared to \$4.7 million in the first six months of 2008.

#### 2009 Outlook

"We are very pleased with our bottom line growth and gross margin for the first six months of 2009. We believe we will have consistent growth for the rest of the year mainly because the majority of drugs we sell to our national network are covered under the National Health Insurance Policy, and our continuous efforts to improve operational efficiency," said Mr. Liu. "While we are making progress in expanding our production capacity in Inner Mongolia, we

believe we are on track to achieve the earnings guidance we provided previously."

The 2008 net revenues referenced above have been adjusted for correction. While the total net revenues remain unchanged in comparison with the previously reported numbers, the allocation of three revenue segments is revised as follows:

	For the Three Months Ended June 30, 2008	For the Six Months Ended June 30, 2008
NET REVENUES:		
Wholesale	\$14,235,345	\$22,672,643
Retail	3,644,530	5,661,077
Other revenues	1,505,737	2,761,069
Total Net Revenues	\$19,385,612	\$31,094,789

About Lotus Pharmaceuticals, Inc. ( <http://www.lotuspharma.com> )

Lotus Pharmaceuticals, Inc. is a growing developer and producer of prescription drugs and a licensed national seller of pharmaceutical items in the People's Republic of China. Lotus operates Liang Fang Pharmaceutical, Ltd. and En Ze Jia Shi Pharmaceutical, Ltd. Lotus's current drug development pipeline is focused on the treatment of cerebro-cardiovascular disease, asthma, and diabetes. More than 8,000 products are sold by Liang Fang directly and indirectly through its national sales channels to hospitals, clinics and drugs stores in 30 provinces.

#### Safe Harbor Statement

This press release contains "forward-looking statements" within the meaning of the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance or achievements, and may contain the words "estimate," "project," "intent," "forecast," "anticipate," "plan," "planning," "expect," "believe," "will likely," "should," "could," "would," "may," or words or expressions of similar meaning. Such statements are not guarantees of future performance and could cause the actual results of the Company to differ materially from the results expressed or implied by such statements, including, but not limited to, changes from anticipated levels of sales, future national or regional economic and competitive and regulatory conditions, changes in relationships with customers, access to capital, increased costs, difficulties in developing and marketing new products, marketing existing products, customer acceptance of existing and new products, the time to get new drugs approved by the SFDA and other factors. Additional information regarding risks can be found in the Company's Annual Report on Form 10K and its older filings with the SEC. Accordingly, although the Company believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company has no obligation to

update the forward-looking information contained in this press release.

LOTUS PHARMACEUTICALS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	June 30, 2009	December 31, 2008
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash	\$1,830,366	\$1,278,808
Accounts receivable, net of allowance for doubtful accounts	2,133,871	6,132,912
Other receivable	16,120	15,757
Other receivable-related party	--	2,027,954
Inventories, net of reserve for obsolete inventory	2,775,382	3,787,802
Prepaid expenses and other assets	45,429	121,274
Deferred debt costs	265,378	398,067
 Total Current Assets	 7,066,546	 13,762,574
 PROPERTY AND EQUIPMENT - Net	 14,770,393	 7,554,817
 OTHER ASSETS		
Deposit on patent right	2,921,926	2,917,919
Installments on intangible assets	38,958,041	38,175,134
Intangible assets, net of accumulated amortization	8,650,147	1,231,730
Deferred debt costs	--	66,344
 Total Assets	 \$72,367,053	 \$63,708,518
 LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$224,050	\$895,283
Other payables	1,400,382	1,274,882
Taxes payable	4,159,405	5,015,908
Unearned revenue	711,250	565,629
Due to related parties	1,841,015	1,588,689
Series A convertible redeemable preferred stock, \$.001 par value; 10,000,000 shares authorized; 6,034,477 and 5,747,118 shares issued and outstanding at June 30, 2009 and December 31, 2008,		

respectively, net	4,503,010	--
Total Current Liabilities	12,839,112	9,340,391
LONG-TERM LIABILITIES:		
Due to related parties	394,460	525,225
Notes payable - related parties	5,063,395	5,056,451
Series A convertible redeemable preferred stock, \$.001 par value; 10,000,000 shares authorized; 6,034,477 and 5,747,118 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively, net	--	3,652,341
Total Liabilities	18,296,967	18,574,408
STOCKHOLDERS' EQUITY:		
Common stock (\$.001 par value; 200,000,000 shares authorized; 43,952,889 and 42,420,239 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively)	43,953	42,420
Additional paid-in capital	12,070,182	11,554,381
Statutory reserves	4,703,821	3,750,529
Retained earnings	32,957,880	25,557,537
Accumulated other comprehensive income	4,294,250	4,229,243
Total stockholders' Equity	54,070,086	45,134,110
Total Liabilities and Stockholders' Equity	\$72,367,053	\$63,708,518

LOTUS PHARMACEUTICALS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME  
(UNAUDITED)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
NET REVENUES:				
Wholesale	\$10,673,718	\$14,235,345	\$19,614,123	\$22,672,643

Retail	2,759,419	3,644,530	4,896,607	5,661,077
Other revenues	198,592	1,505,737	945,286	2,761,069
Total Net Revenues	13,631,729	19,385,612	25,456,016	31,094,789
COST OF SALES	5,743,166	9,696,718	10,929,324	17,465,143
GROSS PROFIT	7,888,563	9,688,894	14,526,692	13,629,646
OPERATING EXPENSES:				
Selling expenses	1,801,235	5,875,549	3,503,034	6,997,886
Research and development	--	471,243	--	1,181,468
General and administrative	769,103	542,043	1,516,309	1,168,460
Total Operating Expenses	2,570,338	6,888,835	5,019,343	9,347,814
INCOME FROM OPERATIONS	5,318,225	2,800,059	9,507,349	4,281,832
OTHER INCOME (EXPENSE):				
Debt issuance costs	(99,516)	(99,517)	(199,033)	(162,403)
Interest income	44,793	2,027	46,112	2,588
Interest expense	(470,551)	(522,660)	(918,648)	(946,009)
Total Other Income (Expense)	(525,274)	(620,150)	(1,071,569)	(1,105,824)
INCOME BEFORE INCOME TAXES	4,792,951	2,179,909	8,435,780	3,176,008
INCOME TAXES	7,418	--	82,145	--
NET INCOME	\$4,785,533	\$2,179,909	\$8,353,635	\$3,176,008
COMPREHENSIVE INCOME:				
NET INCOME	4,785,533	2,179,909	8,353,635	3,176,008
OTHER COMPREHENSIVE INCOME:				
Unrealized foreign currency translation gain	2,896	1,587,538	65,007	3,041,741

COMPREHENSIVE				
INCOME	\$4,788,429	\$3,767,447	\$8,418,642	\$6,217,749
NET INCOME PER COMMON				
SHARE:				
Basic	\$0.11	\$0.05	\$0.19	\$0.08
Diluted	\$0.10	\$0.05	\$0.17	\$0.07
WEIGHTED AVERAGE				
COMMON SHARES				
OUTSTANDING:				
Basic	43,527,669	42,352,139	43,289,189	42,194,048
Diluted	49,562,146	48,099,257	49,183,956	47,941,166

LOTUS PHARMACEUTICALS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	For the Six Months Ended	
	June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$8,353,635	\$3,176,008
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	725,308	307,713
Amortization of deferred debt issuance costs	199,033	162,029
Amortization of debt discount	--	208,355
Amortization of discount on convertible redeemable preferred stock	600,669	338,838
Amortization of prepaid expense attributable to warrants	14,849	--
Stock-based compensation	109,334	270,245
Warrants revaluation	--	74,593
Decrease in allowance for doubtful accounts and sales returns	--	(14,101)
Recognition of unearned revenue	(396,450)	--
Changes in assets and liabilities:		
Accounts receivable	4,008,383	946,083
Inventories	1,017,856	(3,358,488)

Prepaid expenses and other current assets	2,101,008	986,132
Accounts payable and accrued expenses	(22,506)	224,627
Other current payables	(169,743)	--
Taxes payable	(863,589)	1,381,155
Unearned revenue	541,327	39,086
Due to related parties	118,685	--
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 16,337,799	 4,742,275
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposit on patent right	--	(2,827,814)
Payment on intangible assets	(8,621,660)	(5,862,059)
Purchase of property and equipment	(7,166,057)	(217,982)
 NET CASH (USED IN) INVESTING ACTIVITIES	 (15,787,717)	 (8,907,855)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of convertible debt	--	(2,520,000)
Proceeds from sale of convertible redeemable preferred stocks	--	5,000,000
Payment of debt issuance costs	--	(468,568)
Proceeds from related party advances	--	774,571
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 --	 2,786,003
 EFFECT OF EXCHANGE RATE ON CASH	 1,476	 223,064
 NET (DECREASE) INCREASE IN CASH	 551,558	 (1,156,513)
 CASH - beginning of period	 1,278,808	 4,557,957
 CASH - end of period	 \$1,830,366	 \$3,401,444
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	\$--	\$56,557
Income taxes	\$--	\$--
 Non-cash investing and financing activities:		
Warrants issued for prepaid financing costs and consulting expense	\$--	\$505,752
Common stock issued for prior		

services	\$249,000	\$318,551
Common stock issued for future services	\$9,000	\$--
Common stock issued for conversion of convertible redeemable preferred stock	\$150,000	\$250,000
Debt discount for grant of warrants and beneficial conversion feature	\$--	\$2,033,025
Increase in payable for construction-in-progress	\$293,520	\$--
Preferred stock issued for dividend payable	\$400,000	\$--

For further information, please contact:

Lotus Pharmaceuticals, Inc.

Yan ZENG, CFO

Tel: +86-10-6389-9868

Email: zy@lotuspharma.com

Web: <http://www.lotuspharma.com>

SOURCE Lotus Pharmaceuticals, Inc.