



**China Pharma Holdings, Inc.**

## **China Pharma Holdings, Inc. Reports First Quarter 2010 Financial Results**

HAIKOU CITY, China, May 11, 2010 - China Pharma Holdings, Inc. (NYSE AMEX: CPHI) (“China Pharma” or the “Company”), a leading fully-integrated specialty pharmaceuticals company in China, today announced financial results for the first quarter ended March 31, 2010.

### **First Quarter Highlights**

- Revenue increased 16% to \$15.1 million from \$13.0 million in the first quarter of fiscal 2009
- Gross profit grew 3% to \$6.1 million from \$5.9 million in the first quarter of fiscal 2009
- Income from operations rose 19% to \$4.8 million from \$4.1 million in the 2009 period
- Net income climbed 17% to \$4.3 million, or \$0.10 per diluted share, from \$3.7 million, or \$0.09 per diluted share a year ago

“We are pleased to report a solid start to 2010 with healthy revenue and net income growth, in the first quarter,” said China Pharma's President and CEO, Ms. Zhilin Li. “The strong revenue increase and healthy profit margins were partly driven by a continued increase in demand for our existing products and the successful launch of new products in the last twelve months. We look forward to accelerating this growth trajectory by increasing market penetration of key existing products and introducing new products to increase revenues and support a stable gross margin.”

### **First Quarter Results**

First quarter 2010 revenues grew 16% to \$15.1 million from \$13.0 million in the first quarter 2009. Key growth drivers included a 32% increase in the Company's anti-viral/infective and respiratory products to \$5.4 million. Sales of digestive products rose by 291% to \$1.7 million, mainly due to contribution from new products, Tiopronin and Omeprazole, launched in second quarter and forth quarter of 2009, respectively. The two products generated sales of \$1.1 million in the quarter and are expected to drive further sales growth in this category during 2010. Sales of the Company's central nervous system (CNS) and Cerebro & Vascular products were \$5.3 million in the quarter, unchanged as compared to last year.

Gross profit for the three months ended March 31, 2010 increased to \$6.1 million from \$5.9 million in the comparable period last year. Gross profit margin for the first quarter was 40.6% as compared to 45.6% in the previous year quarter. The decrease in gross margin was largely a result of a product mix that included more antibiotic and mature products, which typically yield lower average margin. The Company expects stable gross margin in future quarters supported by an improving product mix and potential new product launches.



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Total operating expenses decreased 30% to \$1.3 million for the three months ended March 31, 2010 from \$1.9 million in the same period last year, primarily due to a change in the Company's estimate for bad debt reserve in the third quarter of 2009. Bad debt expenses fell to \$0.1 million in the first quarter of 2010 from \$0.8 million in the same period last year. Excluding the bad debt expense, operating expenses rose 13% due higher year-over-year general and administrative expenses reflecting increased amortization expenses.

Operating income grew 19% to \$4.8 million for the three months ended March 31, 2010 from \$4.1 million in the comparable period a year ago. Operating margin improved by 69 basis points to 32.0% from a year ago, primarily due to the significant reduction in bad debt expenses.

Income tax expense was \$0.5 million, up from \$0.4 million in the previous year. The Company expects full year 2010 tax rate to be in the 11% range.

Net income for the three months ended March 31, 2010 increased 17% to \$4.3 million from \$3.7 million in the previous year. Net margin improved to 28.5% to 28.3% in the prior year period. Diluted earnings per share grew 15% year-over-year to \$0.10.

### **Financial Condition**

As of March 31, 2010, the Company had cash and cash equivalents of \$4.8 million, which represented 4.4% of total assets, as compared to \$3.6 million, or 3.6% of total assets, as of December 31, 2009. Year-over-year, working capital increased to \$66 million from \$61 million while the current ratio rose slightly to 7.1x, reflecting the Company's continued financial health.

Accounts receivable balance rose slightly to \$52.5 million from \$51.2 million at the end of 2009. China Pharma's management continues to be highly focused on improving accounts receivable collection to further strengthen operating cash flow.

For the three months ended March 31, 2010, cash flow from operating activities was \$1.1 million, little changed as compared to the same period in 2009. The flattish operating cash flow trend reflected an improvement in cash collection from accounts receivables, offset by an increase in inventory level, in anticipation of sales demand growth, and advances to suppliers.

### **Financial Guidance**

China Pharma is reiterating 2010 revenue growth guidance of 20% to 25%. Similar to prior years, the first quarter is typically one of the slowest sales periods and the Company anticipates stronger top-line growth during second half of the fiscal year due to seasonality of the product portfolio. The Company expects its central nervous system (CNS) and cardiovascular drugs, and the new Tiopronin and Omeprazole products to be among the key growth drivers in the next several quarters.

"We are confident in our 2010 outlook and plan to focus on increasing the market penetration of our new products while advancing our late-stage development pipeline to create new revenue opportunities," added Ms. Li. "We believe implementation of China's unprecedented \$124



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billion healthcare reform program will be a significant volume driver in the country's pharmaceutical industry. China Pharma is well positioned to be nimble and to proactively engage in market demand-based new product opportunities to drive sustainable long-term growth."

### **Pipeline Update**

As of March 31, 2010, China Pharma had 9 products in active development in its pipeline.

- During the first quarter, China Pharma completed the clinical trials for candesartan (generic form of Atacand), a front-line antihypertensive therapy. The Company's application for production of candesartan is currently under SFDA review.
- The clinical trial for lipid lowering drug rosuvastatin (a generic form of Crestor) is on track to completion. Crestor is one of the largest and fastest growing drugs in the world for lowering cholesterol.
- The Phase I clinical trial for the novel anti-resistant antibiotic combination drug is also progressing on schedule.

### **Conference Call**

The Company will hold a conference call at 8:00 am ET on May 11, 2010 to discuss first quarter 2010 results. Listeners may access the call by dialing 1-866-700-7173 or 1-617-213-8838 for international callers, access code: 73484838. A webcast will also be available through the Company's website at <http://www.chinapharmaholdings.com>. A replay of the call will be accessible through May 18, 2010 by dialing 1-888-286-8010 or 1-617-801-6888 for international callers, access code: 36235935.

### **About China Pharma Holdings, Inc.**

China Pharma Holdings, Inc. is a rapidly growing specialty pharmaceutical company that develops, manufactures and markets a diversified portfolio of products focused on conditions with a high incidence and high mortality rates in China, including cardiovascular, CNS, infectious, and digestive diseases. The Company's cost-effective, high margin business model is driven by market demand and supported by eight scalable GMP-certified product lines covering the major dosage forms. In addition, the Company has a broad and expanding nationwide distribution network across 30 provinces, municipalities and autonomous regions. The Company's wholly owned subsidiary, Hainan Helpson Medical & Biotechnology Co., Ltd., is located in Haikou City, Hainan Province. For more information about China Pharma Holdings, Inc., please visit <http://www.chinapharmaholdings.com>.

### **Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995**

Certain statements in this press release constitute forward-looking statements for purposes of the safe harbor provisions 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, which may include, but are not limited to, such factors as the

achievability of financial guidance, success of new product development, unanticipated changes in product demand, increased competition, downturns in the Chinese economy, uncompetitive levels of research and development, and other information detailed from time to time in the Company's filings and future filings with the United States Securities and Exchange Commission. The forward-looking statements made herein speak only as of the date of this press release and the Company undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in the Company's expectations.



# China Pharma Holdings, Inc.

## CHINA PHARMA HOLDINGS, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 4,784,582	\$ 3,634,753
Trade accounts receivable, less allowance for doubtful accounts of \$2,783,291 and \$2,718,358, respectively	52,470,644	51,238,339
Other receivables, less allowance for doubtful accounts of \$9,965 and \$3,556, respectively	84,747	78,525
Advances to suppliers	2,836,250	1,798,446
Inventory	15,839,393	14,233,073
Deferred tax assets	392,210	319,820
<b>Total Current Assets</b>	<b>76,407,826</b>	<b>71,302,956</b>
<b>Advances for purchases of property and equipment and intangible assets</b>	<b>4,259,792</b>	<b>3,599,949</b>
<b>Property and equipment, net of accumulated depreciation of \$2,213,723 and \$2,020,462, respectively</b>	<b>6,537,960</b>	<b>6,705,873</b>
<b>Intangible assets, net of accumulated amortization of \$1,586,229 and \$1,359,048, respectively</b>	<b>20,947,900</b>	<b>19,332,284</b>
<b>TOTAL ASSETS</b>	<b>\$ 108,153,478</b>	<b>\$ 100,941,062</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	\$ 4,243,181	\$ 3,957,923
Accrued expenses	47,749	47,435
Accrued taxes payable	1,684,337	1,528,691
Other payables	60,242	58,191
Advances from customers	903,070	1,037,693
Other payables - related parties	75,741	75,741
Short-term notes payable	3,803,338	3,802,726
<b>Total Current Liabilities</b>	<b>10,817,658</b>	<b>10,508,400</b>
<b>Long-term research and development commitments</b>	<b>-</b>	<b>36,565</b>
<b>Total Liabilities</b>	<b>10,817,658</b>	<b>10,544,965</b>
<b>Stockholders' Equity:</b>		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.001 par value; 95,000,000 shares of authorized; 43,393,644 shares and 42,308,350 shares of common stock outstanding, respectively	43,393	42,308
Additional paid-in capital	23,807,653	21,178,114
Retained earnings	67,567,522	63,272,868
Accumulated foreign currency translation adjustment	5,917,252	5,902,807
<b>Total Stockholders' Equity</b>	<b>97,335,820</b>	<b>90,396,097</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 108,153,478</b>	<b>\$ 100,941,062</b>



## China Pharma Holdings, Inc.

CHINA PHARMA HOLDINGS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE INCOME  
(Unaudited)

For the Three Months Ended

March 31,

	2010	2009
Revenue	\$ 15,102,510	\$ 12,991,982
Cost of revenue	8,968,302	7,063,227
Gross profit	6,134,208	5,928,755
Operating expenses:		
Selling expenses	582,888	602,760
General and administrative expenses	652,748	488,047
Bad debt expense	70,906	774,932
Total operating expenses	1,306,542	1,865,739
Income from operations	4,827,666	4,063,016
Other income (expense):		
Interest income	6,757	10,589
Interest expense	(50,490)	(38,236)
Net other expense	(43,733)	(27,647)
Income before income taxes	4,783,933	4,035,369
Income tax expense	(489,279)	(357,722)
<b>Net income</b>	<b>4,294,654</b>	<b>3,677,647</b>
Other comprehensive income - foreign currency translation adjustment	14,445	87,491
<b>Comprehensive income</b>	<b>\$ 4,309,099</b>	<b>\$ 3,765,138</b>
<b>Earnings per Share:</b>		
Basic	\$ 0.10	\$ 0.09
Diluted	\$ 0.10	\$ 0.09



**CHINA PHARMA HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 4,294,654	\$ 3,677,648
Depreciation and amortization	419,903	258,021
Stock based compensation	47,624	-
Changes in assets and liabilities:		
Trade accounts receivable	(1,224,072)	(4,992,389)
Other receivables	(6,209)	(46,549)
Advances to suppliers	(1,037,525)	1,211,004
Inventory	(1,604,046)	(49,800)
Deferred tax assets	(72,339)	(122,965)
Trade accounts payable	318,952	1,174,251
Accrued expenses	(36,265)	(7,723)
Accrued taxes payable	155,402	(15,659)
Other payables	2,043	2,004
Advances from customers	(134,791)	29,292
<b>Net Cash Provided by Operating Activities</b>	<b>1,123,331</b>	<b>1,117,135</b>
<b>Cash Flows from Investing Activities:</b>		
Advances for purchases of property and equipment and intangible assets	(1,291,216)	(2,376,453)
Purchase of property and equipment	(58,272)	(523,476)
Purchase of intangible assets	(1,207,541)	-
<b>Net Cash Used in Investing Activities</b>	<b>(2,557,029)</b>	<b>(2,899,929)</b>
<b>Cash Flows from Financing Activity:</b>		
Proceeds from exercise of warrants	2,583,000	-
<b>Net Cash Provided by Financing Activity</b>	<b>2,583,000</b>	<b>-</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>527</b>	<b>7,527</b>
<b>Net Increase (Decrease) in Cash</b>	<b>1,149,829</b>	<b>(1,775,267)</b>
Cash and Cash Equivalents at Beginning of Period	3,634,753	6,927,149
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 4,784,582</b>	<b>\$ 5,151,882</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	\$ 50,490	\$ 38,236
Cash paid for income taxes	376,727	560,935