

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

HAIKOU CITY, China, November 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 third quarter ended September 30, 2010.

### **Third Quarter Highlights**

- Revenue increased 20% to \$18.7 million from \$15.5 million in the third quarter of fiscal year 2009
- Excluding an adjustment for a one-time non-cash change in bad debt estimate in third quarter 2009, net income increased 29% from \$4.3 million in the year ago period to \$5.5 million this quarter
- Company completed phase I clinic trials for novel cephalosporin-based combination antibiotic

"Our well-balanced pharmaceutical portfolio continues to demonstrate healthy organic growth this quarter, led by Digestive Diseases and Other products. In particular, incremental sales of Omeprazole favorably impacted Digestive Diseases, while Granistron and Vitamin B6 drove Other product revenues during the reporting period," said China Pharma's President and CEO, Ms. Zhilin Li. "We also are very pleased with the successful completion of Phase I clinical trials of our novel cephalosporin-based combination antibiotic during third quarter 2010. Exciting new drugs such as this, along with other first-to-market generic medicines will enhance China Pharma's strong growth and profitability."

### **Third quarter Results**

Third quarter 2010 total revenues grew 20% to \$18.7 million from \$15.5 million in third quarter 2009. Digestive Diseases product sales for the third quarter 2010 grew by 51% year-over-year to \$2.4 million, primarily due to continued strong sales of Omeprazole, the Company's generic gastroesophageal reflux disease (GERD) drug launched in fourth quarter 2009. In the third quarter of 2010, the Company's Other Products category rose 100% year-over-year to \$4.5 million, primarily due to higher sales of Granistron and Vitamin B6, the latter of which is one of two China Pharma products on the National EDL (Essential Drug List). Sales from the Company's Central Nervous System (CNS), Cerebral and Cardio Vascular products experienced modest growth of 5% to \$5.9 million from \$5.6 million in the comparable 2009 period due to strong performances from



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Ozagrel and Gastrodin Injection. Sales from the Company's Anti-Viro/Infection and Respiratory products decreased by 2% to \$6.0 million from \$6.1 million in the same quarter last year, but this group continues to be the largest contributor to overall Company revenue.

Gross profit for the three months ended September 30, 2010 increased by 16.5% to \$7.6 million from \$6.5 million in the comparable period last year. Gross margin for the third quarter was 40.8% as compared to 42.2% in the previous year quarter. The decrease in gross margin was largely due to increased sales volume from lower margin products compared to the same period a year ago.

Total operating expenses were \$1.4 million (7.7% of revenue) for the three months ended September 30, 2010, compared to credit balance of \$1.5 million in the same period last year, which included a one-time non-cash benefit of \$2.8 million for bad debt estimate change.

Net income was \$5.5 million, or \$0.13 per basic and diluted share, compared to \$7.2 million, or \$0.17 per basic and diluted share in the year ago period, excluding the effect of change in bad debt estimate in the third quarter 2009, net income increased 29% from \$4.3 million in the year ago period to \$5.5 million this quarter

### **Nine Months Results**

Revenues for the nine months ended September 30, 2010 were \$50.4 million, up 20% from revenues of \$42.1 million for the nine months ended September 30, 2009. Gross profit for the nine months ended September 30, 2010 was \$20.8 million, up 13% from gross profit of \$18.4 million for the corresponding period of 2009. Gross margin was 41.3%, compared to 43.7% for the first nine months of 2009. Income from operations was \$17.0 million, up 0.4% from \$16.9 million for the first nine months of 2009.

Net income was \$15.1 million, or \$0.35 per basic and diluted share, compared to \$15.1 million, or \$0.36 per basic and diluted share in the year ago period, which included a one-time, non-cash benefit of \$2.8 million from a change in bad debt estimate. Excluding the adjustment for bad debt estimate in the first nine months of 2009, net income increased 20% from \$12.6 million in the year ago period to \$15.1 million during the first nine months of 2010.

### **Financial Condition**

As of September 30, 2010, the Company had cash and cash equivalents of \$4.6 million compared to \$3.6 million as of December 31, 2009. Year-over-year, working capital increased to \$74 million from \$61 million and the current ratio rose to 7.7 times from 6.8 times.



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Accounts receivable balance net of bad debt allowance rose to \$56.8 million at September 30, 2010 from \$51.2 million at the end of 2009. The Company's management team continues to be sharply focused on improving accounts receivable collection and expects to make further progress in the quarters to come.

For the nine months ended September 30, 2010, cash flow from operating activities was \$6.1 million, as compared to \$6.4 million during the same period in 2009.

### **Financial Guidance**

Given China Pharma's solid performance during the first nine months of 2010 and the outlook for the remainder of the year, the Company reaffirms its previous guidance of revenue growth of between 20% and 25% in 2010.

"Looking into 2011, we are optimistic that our promising later stage pipeline products will begin to contribute to China Pharma's overall performance. In the meantime, we remain focused on managing our current portfolio for growth and profitability, while positioning China Pharma to benefit from China's unprecedented \$124 billion healthcare reform program," said Ms. Li. "We believe our future success will be defined by our high-quality manufacturing facilities, strong distribution relationships, and commercialization expertise."

### **Pipeline Update**

As of September 30, 2010, China Pharma had nine pipeline drugs in different stages of registration process, including three that have passed China State Food and Drug Administration ("SFDA") technical analysis and entered clinical trials.

- The Company has completed clinical trials of Candesartan, a front-line drug therapy for the treatment of hypertension. The Company has completed all testing procedures and currently awaits final SFDA production approval.
- The Company continues to receive positive feedback from patients in the clinical trial of Rosuvastatin, a generic form of Crestor. The majority of patients in the clinical trial have completed the treatment cycle and the trial is near completion.
- The Company completed Phase I clinical trials of its novel cephalosporin-based combination antibiotic in the third quarter of 2010. Phase I of the clinical trials focused on the study of clinical pharmacology as well as the evaluation of safety on the human body, while observing tolerance and pharmacokinetics to provide support for dosage and drug delivery design. Phase II has commenced.

### **Conference Call**



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

The Company will hold a conference call at 8:00 am EST on November 11, 2010 to discuss third quarter 2010 results. Listeners may access the call by dialing 1-800-659-2056 or 1-617-614-2714 for international callers; access code: 56441223. A webcast will also be available through CPHI's website at <http://www.chinapharmaholdings.com>. A replay of the call will be accessible through November 18, 2010 by dialing 1-888-286-8010 or 1-617-801-6888 for international callers; access code: 99472174.

### **Use of Non GAAP Financial Measures**

GAAP results for the three and nine month periods ended September 30, 2009 include non-recurring benefit from change of bad debt estimate. To supplement its consolidated financial statements presented on a GAAP basis, the Company has provided non-GAAP adjusted financial information, which are adjusted net income and adjusted diluted earnings per share, excluding the impact of these items. The Company's management believes that this adjusted measure provides investors with a better understanding of how the results relate to the Company's historical performance. A reconciliation of adjustment to GAAP results appears in the tables accompanying this press release. This additional adjusted information is not meant to be considered in isolation or as a substitute for GAAP financials. The adjusted financial information that the Company provides also may differ from the adjusted information provided by other companies.

### **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 all major cities and provinces in China. 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**

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,



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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 except as required by applicable law or regulation.



CHINA PHARMA HOLDINGS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 4,561,432	\$ 3,634,753
Trade accounts receivable, less allowance for doubtful accounts of \$2,976,077 and \$2,718,358, respectively	56,792,742	51,238,339
Other receivables, less allowance for doubtful accounts of \$21,880 and \$3,556, respectively	132,280	78,525
Advances to suppliers	3,358,113	1,798,446
Inventory	19,861,057	14,233,073
Deferred tax assets	523,840	319,820
<b>Total Current Assets</b>	<b>85,229,464</b>	<b>71,302,956</b>
<b>Advances for purchases of property and equipment and intangible assets</b>	<b>3,574,496</b>	<b>3,599,949</b>
<b>Property and equipment, net of accumulated depreciation of \$2,661,208 and \$2,020,462, respectively</b>	<b>6,394,538</b>	<b>6,705,873</b>
<b>Intangible assets, net of accumulated amortization of \$2,082,188 and \$1,359,048, respectively</b>	<b>26,342,406</b>	<b>19,332,284</b>
<b>TOTAL ASSETS</b>	<b>\$ 121,540,904</b>	<b>\$ 100,941,062</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	\$ 4,400,332	\$ 3,957,923
Accrued expenses	55,043	47,435
Accrued taxes payable	2,180,851	1,528,691
Other payables	75,560	58,191
Advances from customers	1,030,766	1,037,693
Other payables - related parties	303,644	75,741
Short-term notes payable	2,985,921	3,802,726
<b>Total Current Liabilities</b>	<b>11,032,117</b>	<b>10,508,400</b>
Long-term research and development commitments	-	36,565
<b>Total Liabilities</b>	<b>11,032,117</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 authorized; 43,393,642 shares and 42,308,350 shares outstanding, respectively	43,393	42,308
Additional paid-in capital	24,041,616	21,178,114
Retained earnings	78,328,698	63,272,868
Accumulated foreign currency translation adjustment	8,095,080	5,902,807
<b>Total Stockholders' Equity</b>	<b>110,508,787</b>	<b>90,396,097</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 121,540,904</b>	<b>\$ 100,941,062</b>



**CHINA PHARMA HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND COMPREHENSIVE INCOME**

(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Revenue	\$ 18,680,390	\$ 15,522,953	\$ 50,414,254	\$ 42,116,290
Cost of revenue	11,055,254	8,979,083	29,610,973	23,724,155
Gross profit	7,625,136	6,543,870	20,803,281	18,392,135
Operating expenses:				
Selling expenses	449,295	807,231	1,653,763	2,013,915
General and administrative expenses	873,157	521,676	2,420,412	1,563,330
Bad debt expense (benefit)	107,186	(2,836,495)	215,707	(2,101,710)
Total operating expenses	1,429,638	(1,507,588)	4,289,882	1,475,535
Government subsidy income	-	-	465,663	-
Income from operations	6,195,498	8,051,458	16,979,062	16,916,600
Other income (expense):				
Interest income	1,147	3,956	13,305	25,265
Interest expense	(37,667)	(24,436)	(139,788)	(103,143)
Net other income (expense)	(36,520)	(20,480)	(126,483)	(77,878)
Income before income taxes	6,158,978	8,030,978	16,852,579	16,838,722
Income tax expense	(674,051)	(867,750)	(1,796,749)	(1,711,703)
<b>Net income</b>	<b>5,484,927</b>	<b>7,163,228</b>	<b>15,055,830</b>	<b>15,127,019</b>
Other comprehensive income - foreign currency translation adjustment	1,774,575	85,896	2,192,273	179,085
<b>Comprehensive income</b>	<b>\$ 7,259,502</b>	<b>\$ 7,249,124</b>	<b>\$ 17,248,103</b>	<b>\$ 15,306,104</b>
<b>Earnings per Share:</b>				
Basic	\$ 0.13	\$ 0.17	\$ 0.35	\$ 0.36
Diluted	\$ 0.13	\$ 0.17	\$ 0.35	\$ 0.36



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

	For the Nine Months Ended September 30,	
	2010	2009
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 15,055,830	\$ 15,127,019
Depreciation and amortization	1,271,251	986,310
Stock based compensation	281,587	-
Bad debt expense (benefit)	215,707	(2,101,710)
Deferred tax assets	(193,953)	210,171
Changes in assets and liabilities:		
Trade accounts receivable	(4,610,175)	(10,841,625)
Other receivables	(69,154)	82,949
Advances to suppliers	(1,495,898)	1,170,103
Inventory	(5,239,859)	(1,742,681)
Trade accounts payable	277,275	2,772,775
Accrued expenses	(30,168)	(11,339)
Accrued taxes payable	609,646	393,724
Other payables	15,972	233,155
Advances from customers	(27,982)	109,238
<b>Net Cash Provided by Operating Activities</b>	<b>6,060,079</b>	<b>6,388,089</b>
<b>Cash Flows from Investing Activities:</b>		
Advances for purchases of property and equipment and intangible assets	(1,615,399)	(2,921,715)
Purchase of property and equipment	(219,904)	(255,273)
Purchase of intangible assets	(5,311,961)	(7,621,781)
<b>Net Cash Used in Investing Activities</b>	<b>(7,147,264)</b>	<b>(10,798,769)</b>
<b>Cash Flows from Financing Activity:</b>		
Proceeds from issuance of notes payable	2,934,100	3,799,775
Payments of notes payable	(3,814,330)	(2,484,468)
Borrowing from a related party	227,903	-
Proceeds from exercise of warrants	2,583,000	-
<b>Net Cash Provided by Financing Activity</b>	<b>1,930,673</b>	<b>1,315,307</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>83,191</b>	<b>13,001</b>
<b>Net Increase (Decrease) in Cash</b>	<b>926,679</b>	<b>(3,082,372)</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>\$ 4,561,432</b>	<b>\$ 3,844,777</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	\$ 139,494	\$ 103,143
Cash paid for income taxes	1,889,810	1,413,306



**China Pharma Holdings, Inc.**  
**Reconciliation of Non-GAAP Adjusted Net Income and Diluted EPS**  
**(Unaudited, \$ in thousand except share and per share data)**

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2010		2009		2010		2009	
	Net income	EPS	Net income	EPS	Net income	EPS	Net income	EPS
Adjusted net income, excluding approximate after-tax impact of one-time bad debt estimate change (Non-GAAP)	\$ 5,485	\$ 0	\$ 4,263	\$ 0.10	\$ 15,056	\$ 0.35	\$ 12,569	\$ 0.30
Approximate after-tax impact of one-time bad debt estimate change (a)	\$ -	\$ -	\$ 2,900	\$ 0.07	0	0	\$ 2,558	\$ 0.06
Net income as reported (GAAP)	\$ 5,485	\$ 0.13	\$ 7,163	\$ 0.17	\$ 15,056	\$ 0.35	\$ 15,127	\$ 0.36
Diluted weighted average shares outstanding	43,407,175		42,278,938		43,503,330		42,278,938	

(a) Represents the approximate amount that net income or EPS of the corresponding periods would have decreased by if bad debt estimate had been changed prior to the beginning of 2009.

