

China Pharma Holdings, Inc. Reports Full Year 2011 Financial Results

HAIKOU CITY, China, March 15, 2012 - China Pharma Holdings, Inc. (NYSE AMEX: CPHI) ("China Pharma" or the "Company"), a fully-integrated specialty pharmaceuticals company in China, today announced financial results for the year ended December 31, 2011.

Full Year Highlights

- Revenue increased 9% to \$81.2 million in fiscal year 2011 from \$74.4 million in fiscal year 2010.
- Income from operations was \$22.0 million in fiscal year 2011 compared to \$24.7 million in 2010, a decrease of \$2.7 million, or 11%.
- Net income was \$19.3 million in fiscal year 2011 compared to \$23.4 million in 2010, a decrease of \$4.1 million, or 18%. Earnings per common share was 44 cents per share in fiscal 2011 compared with 54 cent per share, a decrease of 18%.
- Gross profit margin was 36% in fiscal year 2011, a decrease from 41% in fiscal 2010.

"In 2011 we registered a moderate top line growth in a very challenging year for the pharmaceutical industry in China. Once again our diversified product portfolio demonstrated its robustness in a difficult environment," said Ms. Zhilin Li, China Pharma's Chairman and CEO. "The healthcare reform has produced encouraging results in improving the standards of living for people in China. The changes produced by the reform, however, have created pricing pressures on nearly all pharmaceutical products across the industry, and we expect this environment to continue for some time to come. Going forward, we expect the launches of new products such as Candesartan, our new hypertension drug, and Rosuvastatin, our generic version of Crestor, to enhance our profitability and growth opportunities. Commercializing exciting new drugs like our antibiotic combination drug, along with first-to-market generic medicines, is an important part of China Pharma's growth and profitability strategy."

Full Year Results



China Pharma Holdings, Inc.

Revenues for the year ended December 31, 2011 were \$81.2 million, up 9% from revenues of \$74.4 million for the year ended December 31, 2010, reflecting higher sales in three out of four product categories.

The “Digestive Diseases” product group remains the Company’s fastest growing revenue category in 2011, with sales increasing 33% to \$12.4 million from \$9.3 million in 2010. The strong performance of the Digestive Diseases product group primarily reflects incremental revenue from Tiopronin, and Compound Ammonium Glycyrrhetate, both prescribed for the treatment of Hepatitis and liver dysfunction diseases. Sales of “Anti-Viro/Infection & Respiratory” products, the Company’s largest revenue category during 2011, grew 18% to \$32.0 million from \$27.1 million in 2010. The “CNS Cerebral and Cardio Vascular” product group (“CNS”) generated sales of \$25.8 million in 2011, representing an increase of 8% compared to sales of \$23.9 million in 2010. We expect the upcoming new CNS products (namely Candesartan and Rosuvastatin) will further support the profitability and sales in this category once launched. Sales from the “Other” product category was \$11.0 million in 2011 compared to \$14.1 million in 2010, a decrease of 22%, as all products in this category encountered stronger competition this year compared to the last year.

Gross profit for the year ended December 31, 2011 was \$29.0 million, compared to gross profit of \$30.3 million in 2010, a decrease of 4%. Gross margin was 36% in 2011, compared to 41% for 2010, a decrease of five percentage points, reflecting pricing pressure during the year.

Selling, general and administrative expenses in 2011 were \$7.2 million, or 8.8% of sales, compared to \$5.6 million, or 7.5% of sales, in 2010. For the year ended December 31, 2011, the Company’s bad debt expense was \$0.1 million, compared to a bad debt expense of \$0.5 million in 2010.

Operating income was \$22.0 million in 2011 compared to \$24.7 million in 2010, a decrease of 11%. The lower operating income in 2011 reflects lower gross margin and higher operating expenses.

For the year ended December 31, 2011, the Company paid income tax at a rate of approximately 15%. Income tax expense for the year ended December 31, 2011 was \$3.4 million. While for the year ended December 31, 2010, our income tax was at a rate of approximately 11%, and our income tax expense was \$2.7 million for the year ended December 31, 2010. The Company obtained “National High-Tech Enterprise” status from the PRC government in the fourth quarter of 2010. With this designation, the Company is entitled to a preferential tax rate of 15% from 2011 until 2013, which is notably lower than the statutory



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income tax rate of 25%.

Net income for the year 2011 was \$19.3 million, or \$0.44 per basic and diluted share, compared to \$23.4 million, or \$0.54 per basic and diluted share in 2010.

Financial Condition

As of December 31, 2011, the Company had cash and cash equivalents of \$4.1 million compared to \$3.7 million as of December 31, 2010. Year-over-year, working capital increased to \$97 million in 2011 from \$79 million in 2010 and the current ratio rose to 8.0 times from 7.1 times.

Accounts receivable balance rose to \$69.7 million in 2011 from \$61.9 million at the end of 2010. The Company's management team continues to be focused on improving accounts receivable collection and expects to make further progress in the quarters to come.

For the year ended December 31, 2011, cash flow from operating activities was \$5.2 million, as compared to \$7.8 million in 2010. Most of this decline were due to lower net income and higher working capital usage from higher inventory levels and lower accounts payables in 2011 compared to 2010.

"In 2012, we anticipate adding new higher-margin revenue streams from our upcoming new products, which should help buffer some of the margin pressures coming from competitive pricing due to government healthcare reform policies. Overall we are optimistic that we have the right mix of products and new product pipeline to position China Pharma to benefit from China's unprecedented healthcare reform program," said Ms. Li. "We believe our success in 2012 and beyond will be defined by our differentiated products, promising pipeline, strong distribution network, and commercialization expertise."

Pipeline Update

As of December 31, 2011, China Pharma had various pipeline drugs in different stages of active development. Some of these are highlighted below:



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- The Company originally submitted application for production approval of Candesartan, a front-line drug therapy developed for the treatment of hypertension, in 2010. The Company received request for additional procedures in the fourth quarter of 2011 and has since completed all newly requested procedures. We now expect SFDA to give us the final production approval by mid-year 2012.
- The Company completed clinical trials of Rosuvastatin, a generic form of Crestor, and is in the process of production approval.
- The Company completed Phase I clinical trials of its novel cephalosporin-based combination antibiotic in September 2010. We are currently conducting Phase II clinical trials for this drug.
- The Company is developing a medicine for the treatment of coronary heart disease. This product comes with a patented TCM formula and we are currently conducting Phase III clinical trials for this drug. We anticipate the completion of the clinical work for this product by year end 2012.

Conference Call

The Company will hold a conference call at 8:30 am ET on March 15, 2012 to discuss fiscal year 2011 results. Listeners may access the call by dialing 1-866-519-4004 or 65-672-393-81 for international callers, Conference ID # 59409919. A webcast will also be available through CPHI's website at <http://www.chinapharmaholdings.com>. A replay of the call will be accessible through March 22, 2012 by dialing 1-866-214-5335 or 61-282-355-000 for international callers, Conference ID # 59409919.

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, 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.

- FINANCIAL TABLES FOLLOW -



CHINA PHARMA HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2011	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,050,854	\$ 3,692,086
Banker's acceptances	83,512	-
Trade accounts receivable, less allowance for doubtful accounts of \$3,536,405 and \$3,317,017, respectively	69,695,556	61,947,737
Other receivables, less allowance for doubtful accounts of \$38,921 and \$15,669, respectively	55,039	65,019
Advances to suppliers	5,778,841	5,311,896
Inventory	30,378,658	20,388,935
Deferred tax assets	566,226	528,684
Total Current Assets	110,608,686	91,934,357
Advances for purchases of property and equipment	170,323	114,946
Advances for purchases of intangible assets	36,194,494	29,781,388
Property and equipment , net of accumulated depreciation of \$3,391,124 and \$3,436,182, respectively	6,334,817	6,372,487
Intangible assets , net of accumulated amortization of \$3,041,804 and \$2,342,081, respectively	3,082,671	3,547,763
TOTAL ASSETS	\$ 156,390,991	\$ 131,750,941
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 3,112,385	\$ 4,937,781
Accrued expenses	184,017	98,206
Accrued taxes payable	3,082,353	2,386,019
Other payables	784,697	92,077
Advances from customers	1,784,474	1,208,988
Other payables - related parties	899,314	303,644
Short-term notes payable	3,931,745	3,781,119
Total Current Liabilities	13,778,985	12,807,834
Long-term deferred tax liability	128,909	71,673
Derivative warrant liability	-	934,260
Total Liabilities	13,907,894	13,813,767
Stockholders' Equity:		
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; 43,529,557 shares and 43,404,557 shares outstanding, respectively	43,530	43,405
Additional paid-in capital	23,448,534	23,252,476
Retained earnings	104,286,666	85,017,024
Accumulated other comprehensive income	14,704,367	9,624,269
Total Stockholders' Equity	142,483,097	117,937,174
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 156,390,991	\$ 131,750,941

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

	For the Years Ended	
	December 31,	
	2011	2010
Revenue	\$ 81,166,739	\$ 74,388,180
Cost of revenue	52,178,680	44,105,447
Gross profit	28,988,059	30,282,733
Operating expenses:		
Selling expenses	3,439,522	2,542,826
General and administrative expenses	3,716,397	3,039,450
Bad debt expense	108,085	505,224
Total operating expenses	7,264,004	6,087,500
Government subsidy income	301,672	469,509
Income from operations	22,025,727	24,664,742
Other income (expense):		
Interest income	7,208	15,413
Interest expense	(255,198)	(168,258)
Derivative gain	934,260	1,588,888
Net other income	686,270	1,436,043
Income before income taxes	22,711,997	26,100,785
Income tax expense	(3,442,355)	(2,686,438)
Net income	19,269,642	23,414,347
Other comprehensive income - foreign currency translation adjustment	5,080,098	3,721,462
Comprehensive income	\$ 24,349,740	\$ 27,135,809
Earnings per Share:		
Basic	\$ 0.44	\$ 0.54
Diluted	\$ 0.44	\$ 0.54

CHINA PHARMA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2011	2010
Cash Flows from Operating Activities:		
Net income	\$ 19,269,642	\$ 23,414,347
Depreciation and amortization	1,174,822	1,505,195
Stock based compensation	196,183	345,416
Derivative gain	(934,260)	(1,588,888)
Bad debt expense	108,085	505,224
Deferred income taxes	37,281	(123,177)
Changes in assets and liabilities:		
Trade accounts and other receivables	(11,392,154)	(9,231,358)
Advances to suppliers	(251,171)	(3,367,119)
Inventory	(2,925,143)	(5,530,989)
Trade accounts payable	(1,928,259)	895,001
Accrued expenses and other liabilities	758,783	74,063
Accrued taxes payable	591,470	785,383
Other payables	13,327	(30,183)
Advances from customers	518,718	132,572
Net Cash Provided by Operating Activities	5,237,324	7,785,487
Cash Flows from Investing Activities:		
Net investment in banker's acceptances	(82,149)	-
Advances for purchases of property and equipment and intangible assets	(5,191,385)	(10,454,529)
Purchase of property and equipment	(352,362)	(63,852)
Net Cash Used in Investing Activities	(5,625,896)	(10,518,381)
Cash Flows from Financing Activity:		
Proceeds from issuance of notes payable	-	3,687,996
Payments of notes payable	-	(3,835,515)
Borrowings from related party	595,670	227,903
Proceeds from exercise of warrants	-	2,583,000
Net Cash Provided by Financing Activity	595,670	2,663,384
Effect of Exchange Rate Changes on Cash	151,670	126,843
Net Increase in Cash	358,768	57,333
Cash and Cash Equivalents at Beginning of Year	3,692,086	3,634,753
Cash and Cash Equivalents at End of Year	\$ 4,050,854	\$ 3,692,086
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 248,018	\$ 168,258
Cash paid for income taxes	4,532,592	2,839,548
Supplemental Noncash Investing and Financing Activities:		
Accounts payable for purchases of property and equipment	\$ 143,151	\$ 100,160
Accounts receivable collected with banker's acceptances	6,102,570	-
Inventory purchased with banker's acceptances	6,102,570	-