

## **China Pharma Holdings, Inc. Reports Record 2008 Year End Financial Results and Corporate Updates**

### **Financial Highlights**

- Fiscal year Revenue up 53.6%, to \$50.96 Million, exceeding guidance of 45%*
- Fiscal year Net Income up 39.1%, to 17.83 Million*
- Fiscal year Gross Margin 49.6%, up from 46.9% for 2007*
- EPS increased 28% reaching \$0.44 per share compared to \$0.35 for 2007*

### **Recent and Upcoming Events**

- Clinical Trials of Novel Antibiotic Combination Approved by SFDA and Initiated*
- SFDA Production Approval Received for Tiopronin Enteric-Coated Capsules to treat Hepatitis B*
- Ant-hypertension drug, Candesartan, Entered Clinical Trials*
- Dry Power Production Line: Expansion Completed and Operating*

HAIKOU CITY, China, March 17, 2009 - China Pharma Holdings, Inc. ("China Pharma") (OTC Bulletin Board: CPHI), which develops, manufactures, and markets specialty pharmaceutical products in China, today announced financial results for the year ended December 31, 2008.

For the 12 months up to December 31 2008, the Company continuously demonstrated consistent top and bottom line growth and improved financial performance. The increase in company revenue exceeded 53.9%, reaching approximately \$50.97 million, compared with \$33.19 million of 2007. This rapid growth was accounted for by increases in sales of existing products, and increases in the share of sales by new products. China Pharma is working closely with several pharmaceutical research institutions to develop and further launch more products to meet our



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

customers' needs. Our focus is to create a steady increase to the bottom line. We have seen in the past that the diversified portfolio and distribution channels are keys to company operation. Diligent exploration of potential innovations of the pharmaceutical industry and of the domestic market is essential to create value for our shareholders.

For the year ended December 31 2008, sales of the Company's flag-ship product PuSen OK increased by 76.6%, and the sales of other products also improved dramatically: year-on-year Alginic Sodium Diester increased by 75.5%, Granisetron increased by 60.47%, Clarithromycin increased by 57.4%.

The financial operational performance for the 12 months ended December 31, 2008 was clearly improved compared to the 12 months ended December 31, 2007. Gross profit for 2007 was approximately \$15.57 million, and the gross profit margin was 46.9%, while the 2008 gross profit was \$25.29 million and the gross profit margin increased to reach 49.6%. The gross profit increased by approximately \$9.72 million, or 62.5% from 2007 to 2008, which was mainly due to the continued revenue growth in 2008 and increased cost control, and also to the continued launch of new products.

The operating income for the year ended December 31, 2008 was \$19,730,304, compared to \$12,251,229 for the same period of 2007, an increase of \$7.48 million, or 61.1%. The operating gross margin was 38.7% and 36.9%, for fiscal year 2008 and fiscal year 2007, respectively.

Due to substantial increases in sales revenue and gross profit, and effective cost control in 2008, the net income for the year ended December 31, 2008, excluding the effect of foreign exchange transactions, increased to approximately \$17.83 million, which was 39.1% higher than the \$12.82 million for the year ended December 31, 2007. The net profit margins were 35.0% and 38.6% respectively in fiscal year 2008 and fiscal year 2007. The decrease in net profit margin was due to the effect of the increasing income tax from 0% to 9%. The Company did not have any income tax in 2007, when the Company was still in the preferential tax period of 0%, while in 2008, due to the Company's location in the special economic zone of Hainan, the Company was granted a favorable rate of 9%. Excluding the effect of the increasing income tax, net income increased 54.4%.

Earnings per common share for the 12 months ended December 31, 2008, increased 28.0% reaching \$0.44 per share compared to \$0.35 per share for the 12 months ended December 31, 2007.

### **Analysis of balance sheet and cash flow statement**

As of December 31, 2008, the Company possessed cash and cash equivalents of \$6,927,149, which represented 9.2% of total assets; compared with \$1,830,335 in the same period for 2007, which represented 4.2% of the total assets. Compared with the position of December 31, 2007, this was an increase of \$5,096,814, or 278.5%. This was a combined result of an improvement in net cash generated from operating activities and an increase in net cash proceeds from financing activities.



## China Pharma Holdings, Inc.

In the year ended December 31, 2008, the operating activity cash flow increased to \$6.54 million, a substantial increase of 222.6%, compared to \$2.03 million for the same period in 2007. The main reason was the increase in revenue and net income, and improvement in accounts receivable collection.

China Pharma's President and CEO, Ms. Zhilin Li said, "We achieved the successes stated above, despite the global economic crisis and challenges within the Chinese Pharmaceutical industry. The Chinese Health Care Reform will be implemented in 2009. The build up of a national basic healthcare system will have a deep impact on the entire Chinese society and on the healthcare industry. We will continue to launch strong innovative products, and adapt to the changing policy environment with our operating model and diversified portfolio. We will explore the opportunities in this environment and work for a better future!"

### Conference Call Details

The Company will hold a conference call on Wednesday 18 March at 8:30 a.m. EDT. To participate in the conference call, please dial +1 866-277-1181 (Toll Free) ten minutes prior to the scheduled conference call time. International callers should dial +1 617-597-5358. The conference pass code is 24632342. If you are unable to participate in the call at this time, a replay will be available on Wednesday March 18, 2009 at 12:00 p.m. EDT, through Wednesday March 25, 2009. To access the replay, please dial +1 888-286-8010. International callers should dial 1-617-801-6888. The conference pass code is 43849468. This conference call will be broadcast live over the Internet and can be accessed by clicking this link: <http://phx.corporate-ir.net/playerlink.zhtml?c=145098&s=wm&e=2128119>.

### About China Pharma Holdings, Inc.

China Pharma Holdings, Inc. is a specialty pharmaceutical company with rapidly growing profit that develops, manufactures, and markets treatments for a wide range of high incidence and high mortality conditions 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 a scalable GMP-certified manufacturing infrastructure. In addition, the Company has a broad and expanding distribution network across 30 provinces, municipalities and autonomous regions. The Company is registered in Delaware, USA. Hainan Helpson Bio-pharmaceutical Co., Ltd (Helpson), located in Haikou City, Hainan Province, China, is a wholly owned subsidiary of China Pharma Holdings, Inc. For more information about China Pharma Holdings, Inc., please visit <http://www.chinapharmaholdings.com>.

#### CHINA PHARMA HOLDINGS, INC. CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
ASSETS		(Restated)
Current Assets:		



**China Pharma Holdings, Inc.**

Cash and cash equivalents	\$6,927,149	\$1,830,335
Trade accounts receivable, less allowance for doubtful accounts of \$4,474,175 and \$2,440,852, respectively	36,008,095	18,572,976
Other receivables, less allowance for doubtful accounts of \$54,242 and \$43,908, respectively	163,957	413,596
Advances to suppliers	3,031,694	2,757,320
Inventory	13,139,750	14,448,771
Deferred tax assets	461,596	187,509
Total Current Assets	59,732,241	38,210,507
Non-current Assets:		
Property and equipment, net of accumulated depreciation of \$1,483,267 and \$1,003,802, respectively	6,738,368	2,625,216
Intangible assets, net of accumulated amortization of \$547,567 and \$221,715, respectively	6,162,549	2,063,252
Advances for purchases of intangible assets and property and equipment	2,838,679	807,345
Total Non-current Assets	15,739,596	5,495,813
TOTAL ASSETS	\$75,471,837	\$43,706,320
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	\$1,049,268	\$297,299
Accrued expenses	56,075	261,301
Accrued taxes payable	1,170,003	311,009
Other payables	42,813	86,161
Advances from customers	693,178	261,583
Other payables - related parties	75,741	--
Short-term notes payable	2,480,231	2,693,428
Total Current Liabilities	5,567,309	3,910,781
Research and development commitments	36,474	34,181
Total Liabilities	5,603,783	3,944,962
Stockholders' Equity:		
Common stock, \$0.001 par value, 60,000,000 shares authorized, 42,278,938 and 37,278,938 shares issued and outstanding, respectively	42,279	37,279
Additional paid-in capital	21,066,338	11,678,606
Retained earnings	43,039,819	25,206,169
Foreign currency translation adjustment	5,719,618	2,839,304
Total Stockholders' Equity	69,868,054	39,761,358
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$75,471,837	\$43,706,320



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

	For the Years ended December 31,	
	2008	2007
Revenue	\$50,968,660	\$33,186,324
Cost of revenue	25,678,239	17,619,180
Gross profit	25,290,421	15,567,144
Operating expenses:		
Selling expenses	2,040,596	1,436,609
General and administrative expenses	1,671,715	1,139,160
Bad debt expense	1,847,806	740,146
Total operating expenses	5,560,117	3,315,915
Income from operations	19,730,304	12,251,229
Non-operating income (expenses):		
Interest income	45,168	31,805
Interest expense	(131,027)	(237,398)
Other income (expenses)	(103,177)	611,025
Total non-operating income (expense)	(189,036)	405,432
Income before income taxes	19,541,268	12,656,661
Income tax (expense) benefit	(1,707,618)	162,872
Net income	\$17,833,650	\$12,819,533
Comprehensive income - foreign currency translation adjustments	2,880,314	2,175,433
Comprehensive income	\$20,713,964	\$14,994,966
Earnings Per Share:		
Basic	\$0.44	\$0.35
Diluted	\$0.44	\$0.34
Weighted Average Shares Outstanding:		
Basic	40,216,096	37,009,655
Diluted	40,216,096	37,259,909



**China Pharma Holdings, Inc.**

	For the Years ended December 31,	
	2008	2007 (Restated)
Cash Flows from Operating Activities:		
Net income	\$17,833,650	\$12,819,533
Depreciation and amortization	719,475	422,443
Compensation paid with warrants	123,794	--
Gain on sale of intangibles	--	(580,922)
Changes in assets and liabilities:		
Trade accounts receivable	(15,937,676)	(5,413,718)
Other receivables	273,086	(32,234)
Advances to suppliers	(87,978)	(1,881,451)
Inventory	2,243,138	(3,325,681)
Deferred tax assets	(257,447)	(162,872)
Deferred offering costs	--	60,952
Trade accounts payable	720,659	(204,372)
Accrued expenses	(219,301)	73,451
Accrued taxes payable	825,119	126,812
Other payables	(48,072)	20,558
Other payables - related parties	(52,804)	--
Advances from customers	407,617	105,573
Net Cash from Operating Activities	6,543,260	2,028,072
Cash Flows from Investing Activities:		
Purchase of property and equipment	(199,645)	(51,841)
Construction in progress	(4,111,045)	--
Purchase of intangible assets	(4,184,080)	(2,937,431)
Advances for purchases of intangibles property and equipment	(1,946,479)	773,906
Proceeds from the sale of intangibles	--	1,509,741
Net Cash from Investing Activities	(10,441,249)	(705,625)
Cash Flows from Financing Activities:		
Proceeds from sale of common stock	9,268,938	3,797,183
Proceeds from exercise of warrants	--	119,000
Proceeds from short term notes payable	2,441,739	2,586,252
Payments of short term notes payable	(2,829,545)	(6,705,456)
Net Cash from Financing Activities	8,881,132	(203,021)
Effect of Exchange Rate Changes on Cash	113,671	54,468
Net Change in Cash	5,096,814	1,173,894
Cash and Cash Equivalents at Beginning of Period	1,830,335	656,441
Cash and Cash Equivalents at End of Period	\$6,927,149	\$1,830,335



*Safe Harbor Statement: Certain statements in this press release and oral statements made by China Pharma on its conference call in relation to this 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 unanticipated changes in product demand, increased competition, failure to obtain or maintain intellectual property protection, downturns in the Chinese economy, uncompetitive levels of research and development, failure to obtain regulatory approvals, 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.*

