

CHINA PHARMA HOLDINGS, INC.
Form 10-Q
August 11, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2009

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission file number: 000-29523

China Pharma Holdings, Inc.

(Exact name of registrant as specified on its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

73-1564807

(IRS Employer Identification No.)

2nd Floor, No. 17, Jinpan Road, Haikou, Hainan Province, China

(Address of principle executive offices)

570216

(Zip Code)

0086-898-66811730 (China)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

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As of August 10, 2009, 42,278,938 shares of China Pharma Holdings, Inc. common stock, par value \$0.001 per share, were outstanding.

China Pharma Holdings, Inc.

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

CHINA PHARMA HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,642,801	\$ 6,927,149
Trade accounts receivable, less allowance for doubtful accounts of \$5,248,967 and \$4,474,175, respectively	42,854,941	36,008,095
Other receivables, less allowance for doubtful accounts of \$5,257 and \$54,242, respectively	90,060	163,957
Advances to suppliers	2,332,025	3,031,694
Inventory	14,874,358	13,139,750
Deferred tax assets	577,965	461,596
Total Current Assets	64,372,150	59,732,241
Non-current Assets:		
Property and equipment, net of accumulated depreciation of \$1,709,868 and \$1,483,267, respectively	6,755,629	6,738,368
Intangible assets, net of accumulated amortization of \$904,317 and \$547,567, respectively	8,145,249	6,162,549
Advances for purchases of intangible assets and property and equipment	6,655,560	2,838,679
Total Non-current Assets	21,556,438	15,739,596
TOTAL ASSETS	\$ 85,928,588	\$ 75,471,837
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 3,476,675	\$ 1,049,268
Accrued expenses	59,284	56,075
Accrued taxes payable	1,090,162	1,170,003
Other payables	50,683	42,813
Advances from customers	730,848	693,178
Other payables - related parties	75,741	75,741
Short-term notes payable	2,483,637	2,480,231
Total Current Liabilities	7,967,030	5,567,309
Long term research and development commitments	36,524	36,474
Total Liabilities	8,003,554	5,603,783
Stockholders' Equity:		
Common stock, \$0.001 par value; 60,000,000 shares authorized; 42,278,938 shares issued and outstanding	42,279	42,279
Additional paid-in capital	21,066,338	21,066,338

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Retained earnings	51,003,610	43,039,819
Accumulated comprehensive income - foreign currency translation adjustment	5,812,807	5,719,618
Total Stockholders' Equity	77,925,034	69,868,054
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 85,928,588	\$ 75,471,837

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHINA PHARMA HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME

(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Revenue	\$ 13,601,355	\$ 11,278,803	\$ 26,593,337	\$ 22,995,848
Cost of revenue	7,681,845	5,325,992	14,745,072	11,235,760
Gross profit	5,919,510	5,952,811	11,848,265	11,760,088
Operating expenses:				
Selling expenses	603,924	456,630	1,206,684	794,422
General and administrative	553,607	565,772	1,041,654	914,165
Bad debt expense, net of recoveries	(40,147)	612,413	734,785	1,079,813
Total operating expenses	1,117,384	1,634,815	2,983,123	2,788,400
Income from operations	4,802,126	4,317,996	8,865,142	8,971,688
Non-operating income (expenses):				
Interest income	10,720	5,035	21,309	5,035
Interest expense	(40,471)	(50,440)	(78,707)	(95,713)
Total non-operating income (expense)	(29,751)	(45,405)	(57,398)	(90,678)
Income before taxes	4,772,375	4,272,591	8,807,744	8,881,010
Income tax expense	(486,231)	(235,292)	(843,953)	(653,170)
Net income	\$ 4,286,144	\$ 4,037,299	\$ 7,963,791	\$ 8,227,840
Basic and diluted earnings per share	\$ 0.10	\$ 0.10	\$ 0.19	\$ 0.22
Basic and diluted weighted average shares outstanding	42,278,938	38,982,235	42,278,938	38,130,586
Net income	\$ 4,286,144	\$ 4,037,299	\$ 7,963,791	\$ 8,227,840
Foreign currency translation adjustments	5,698	974,800	93,189	2,720,042
Comprehensive income	\$ 4,291,842	\$ 5,012,099	\$ 8,056,980	\$ 10,947,882

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHINA PHARMA HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	For the six months ended June 30,	
	2009	2008
Cash Flows from Operating Activities:		
Net income	\$ 7,963,791	\$ 8,227,840
Depreciation and amortization	558,866	332,077
Compensation paid with warrants	--	120,042
Changes in assets and liabilities:		
Trade accounts receivable	(6,798,955)	(7,358,577)
Other receivables	74,139	(371,696)
Advances to suppliers	703,994	(3,231,357)
Inventory	(1,716,958)	390,430
Deferred tax assets	(115,762)	(171,030)
Trade accounts payable	2,426,525	282,790
Accrued expenses	3,133	(117,176)
Accrued taxes payable	(81,466)	852,319
Other payables	7,819	(57,543)
Advances from customers	36,727	216,039
Net Cash from Operating Activities	3,061,853	(885,842)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(232,624)	