



China Pharma Holdings, Inc. Reports Second Quarter 2013 Financial Results

HAIKOU CITY, China, August 15, 2013 - China Pharma Holdings, Inc. (NYSE MKT: CPHI) ("China Pharma", the "Company" or "we"), an NYSE MKT listed corporation with its fully-integrated specialty pharmaceutical subsidiary based in China, today announced financial results for the three months ended June 30, 2013.

Second Quarter Highlights

- Revenue decreased 45% to \$8.0 million in the second quarter of 2013 from \$14.6 million in the second quarter of 2012.
- Gross profit was \$2.2 million in the second quarter of 2013, a decrease of approximately \$2.0 million compared to \$4.1 million gross profit in the second quarter of 2012.
- Net loss was \$4.5 million in the second quarter of 2013 compared to \$1.8 million net income in the second quarter of 2012, a decrease of \$6.2 million. Earnings (loss) per common share was (\$0.10) per basic and diluted share in the second quarter of 2013 compared with \$0.04 per share in the same period last year.
- The Company entered an eight-year construction loan facility with a bank on June 21, 2013. The total loan amount is RMB 80,000,000 (approximately \$13 million), and currently bears interest at 7.205%. We utilized RMB 30,000,000 (approximately \$4.86 million) of the facility through August 10, 2013.

"In the second quarter of 2013, we continued to execute our prudent marketing strategy to a more stringent screening of existing and potential distributors and hospital customers in terms of speed of payment in order to gradually improve our trade pattern, especially in terms of the collection of our accounts receivable. This strategy temporarily impacts our sales in the current period." Ms. Zhilin Li, China Pharma's Chairman and CEO continued, "We feel glad that we entered an eight-year construction loan facility with a bank on June 21, 2013. The total loan facility amount is RMB 80,000,000 (approximately \$13 million), and the advance is being used to fund construction of our new GMP upgrading project. We already completed the overall architectural structure of our new GMP facility; and are progressing according to our plan to continue to construct the new facility and ancillary projects. With the support from bank loan, we are more confident that the new-GMP upgrading will be accomplished in good quality."

Second Quarter 2013 Results

Revenue for the three months ended June 30, 2013 was \$8.0 million, a decrease of 45% from revenue of \$14.6 million for the three months ended June 30, 2012. Given the capital expenditure pressure from 2013 new GMP upgrade project, we have to control credit expansion in the market. This tightening marketing strategy has negatively impacted our revenue.



The most significant revenue decrease in terms of dollar amount was in our “Anti-Viro/Infection & Respiratory” product category, which generated \$4.1 million in sales revenue in the three months ended June 30, 2013 compared to \$6.7 million a year ago, a decrease of \$2.6 million. This decrease was mainly due to the decrease in the sales of our two antibiotic products, Roxithromycin and Clarithromycin. Sales of the “CNS Cerebral & Cardio Vascular” category decreased by \$2.1 million to \$2.0 million in the three months ended June 30, 2013 compared to \$4.1 million in the previous year period. This was mainly due to decrease in sales of Gastrodin and the CFDA notice on Bufomedil. The CFDA issued a nationwide notice for the cessation of the production, sale and use of Buflomedil effective immediately in March 2013. The Company ceased the production and sale of this product. Our “Digestive Diseases” category generated \$1.0 million of sales in the three months ended June 30, 2013, compared to \$1.7 million in the previous year period, or a decrease of \$0.7 million. Our “Other” product category sales fell to \$1.0 million from \$2.1 million, a decrease of \$1.1million.

Gross profit for the three months ended June 30, 2013 was \$2.2 million, while gross profit for the three months ended June 30, 2012 was \$4.1 million. Our gross profit margin in the second quarter of 2013 was 27%, compared to 28% in the second quarter of 2012. The Healthcare Reform instituted by the Chinese government since 2009 has resulted in margin compression in most pharmaceutical products on the markets today, especially in the generic space that many of our products are in. The decrease of sales and continued increases of the purchase price of raw materials attributed to the decrease of gross profit. Going forward, we expect to see continued pricing pressure on most products.

Selling, general and administrative expenses in the second quarter of 2013 were \$2.2 million, or 27% of sales, compared to \$1.7 million, or 12% of sales, in the second quarter of 2012. This increase was mainly due to the expenses incurred related to technology upgrades and production process improvements of some of our existing marketed products in this period. For the three months ended June 30, 2013, the Company recognized \$4.8 million bad debt expenses, compared to \$0.2 million in the same period of 2012.

Our operating loss for the three months ended June 30, 2013 was \$4.8 million, compared to operating income of \$2.2 million in the three months ended June 30, 2012, a decrease of \$7.0 million. The main reasons for the decrease were lower revenue and increase in bad debt expense.

In the three months ended June 30, 2013 and 2012, we paid income tax at the rate of 15%. Income tax benefit was \$0.4 million in the three months ended June 30, 2013; and income tax expense was \$0.4 million for the three months ended June 30, 2012. As a result of lower revenue, we have net operating loss carry forwards of \$4.9 million which, under Chinese tax law can be “carried forward” for 5 years.

Net loss for three months ended June 30, 2013 was \$4.5 million, or a loss per basic and diluted common share of (\$0.10), compared to net income of \$1.8 million in the three months ended June 30, 2012, or earnings per basic and diluted common share of \$0.04. The decrease in net income was mainly due to the decrease in revenue and the increase in bad debt expense.

Six Months Results

Revenue for the six months ended June 30, 2013 was \$16.3 million, down 47% from revenue of \$30.7 million for the six months ended June 30, 2012. Gross profit for the six months ended June 30, 2013 was \$0.6 million, down



94% from gross profit of \$9.4 million for the corresponding period of 2012. Operating loss was \$7.8 million, down \$13.4 million from operating income of \$5.6 million for the first six months of 2012. Net loss was \$7.3 million, or \$0.17 per basic and diluted share, compared to net income of \$4.6 million, or \$0.10 per basic and diluted share, for the same period a year ago.

Financial Condition

As of June 30, 2013, the Company had cash and cash equivalents of \$2.5 million compared to \$4.0 million as of December 31, 2012. Working capital decreased to \$86.6 million as of June 30, 2013 from \$97.9 million as of December 31, 2012 and the current ratio was 7.0 times as of June 30, 2013 compared to 7.7 times as of December 31, 2012.

Accounts receivable balance decreased to \$55.4 million at June 30, 2013 from \$66.2 million at December 31, 2012. Our receivable decreased due to decreased sales, the improved performance of our collection of accounts receivable and an increase in our allowance for doubtful accounts.

For the six months ended June 30, 2013, cash flow from operating activities was \$3.1 million, as compared to \$1.9 million for the three months ended June 30, 2012.

Conference Call

The Company will hold a conference call at 8:30 am ET on August 15, 2013 to discuss second quarter 2013 results. Listeners may access the call by dialing 1-866-519-4004 or 65-672-393-81 for international callers, Conference ID # 25773315. A webcast will also be available through CPHI's website at <http://www.chinapharmaholdings.com>. A replay of the call will be accessible through August 23, 2013 by dialing 1-855-452-5696 or 61-281-990-299 for international callers, Conference ID # 25773315.

About China Pharma Holdings, Inc.

China Pharma Holdings, Inc. is a 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>. The Company routinely posts important information on its website.

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.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,524,523	\$ 4,029,708
Banker's acceptances	1,714,011	101,570
Trade accounts receivable, less allowance for doubtful accounts of \$9,196,993 and \$4,429,945, respectively	55,355,747	66,175,570
Other receivables, less allowance for doubtful accounts of \$58,209 and \$49,881, respectively	556,014	80,799
Advances to suppliers	5,571,542	4,816,354
Inventory, less allowance for obsolescence of \$5,566,682 and \$1,769,984, respectively	33,710,598	36,359,516
Deferred tax assets	1,690,104	967,671
Total Current Assets	101,122,539	112,531,188
Advances for purchases of intangible assets	40,213,220	39,263,977
Property and equipment, net of accumulated depreciation of \$4,796,901 and \$4,273,373, respectively	15,404,689	9,031,894
Intangible assets, net of accumulated amortization of \$3,275,787 and \$2,944,726, respectively	2,192,794	2,412,854
TOTAL ASSETS	\$ 158,933,242	\$ 163,239,913
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 4,318,202	\$ 2,841,862
Accrued expenses	258,618	202,185
Accrued taxes payable	690,781	2,426,826
Other payables	1,030,466	1,094,886
Advances from customers	2,005,509	1,945,984
Other payables - related parties	1,354,567	1,354,567
Short-term notes payable	4,859,716	4,761,073
Total Current Liabilities	14,517,859	14,627,383
Long-term deferred tax liability	136,285	95,963
Total Liabilities	14,654,144	14,723,346
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; 43,579,557 shares and 43,579,557 shares outstanding, respectively	43,580	43,580
Additional paid-in capital	23,590,204	23,590,204
Retained earnings	101,628,193	108,904,325
Accumulated other comprehensive income	19,017,121	15,978,458
Total Stockholders' Equity	144,279,098	148,516,567
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 158,933,242	\$ 163,239,913

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

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2013	2012	2013	2012
Revenue	\$ 8,026,325	\$ 14,598,403	\$ 16,275,712	\$ 30,685,134
Cost of revenue	5,849,002	10,460,047	11,974,402	21,242,431
Inventory obsolescence	27,178	-	3,720,073	-
Gross profit	2,150,145	4,138,356	581,237	9,442,703
Operating expenses:				
Selling expenses	701,687	881,945	1,513,741	1,776,005
General and administrative expenses	1,456,500	812,741	2,195,927	1,489,143
Bad debt expense	4,752,733	233,139	4,632,803	553,237
Total operating expenses	6,910,920	1,927,825	8,342,471	3,818,385
(Loss) income from operations	(4,760,775)	2,210,531	(7,761,234)	5,624,318
Other income (expense):				
Interest income	1,016	791	2,602	1,481
Interest expense	(92,049)	(78,472)	(174,494)	(156,009)
Net other income (expense)	(91,033)	(77,681)	(171,892)	(154,528)
(Loss) income before income taxes	(4,851,808)	2,132,850	(7,933,126)	5,469,790
Income tax benefit (expense)	387,983	(372,932)	656,994	(903,513)
Net (loss) income	(4,463,825)	1,759,918	(7,276,132)	4,566,277
Other comprehensive income - foreign currency translation adjustment	2,218,896	106,311	3,038,663	972,885
Comprehensive (loss) income	\$ (2,244,929)	\$ 1,866,229	\$ (4,237,469)	\$ 5,539,162
(Loss) earnings per share:				
Basic	\$ (0.10)	\$ 0.04	\$ (0.17)	\$ 0.10
Diluted	\$ (0.10)	\$ 0.04	\$ (0.17)	\$ 0.10

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

	For the Six Months	
	Ended June 30,	
	2013	2012
Cash Flows from Operating Activities:		
Net (loss) income	\$ (7,276,132)	\$ 4,566,277
Depreciation and amortization	697,549	729,167
Stock based compensation	-	141,721
Bad debt expense	4,632,803	553,237
Deferred income taxes	(656,994)	(55,634)
Inventory obsolescence reserve	3,720,073	-
Changes in assets and liabilities:		
Trade accounts receivable	1,672,236	(3,756,396)
Other receivables	(468,509)	(26,505)
Advances to suppliers	(648,436)	1,873,778
Inventory	1,745,256	(4,552,918)
Trade accounts payable	1,403,638	1,768,420
Accrued expenses	(6,086)	46,311
Accrued taxes payable	(1,767,344)	161,533
Other payables	(9,017)	46,552
Advances from customers	19,003	398,842
Net Cash Provided by Operating Activities	3,058,040	1,894,385
Cash Flows from Investing Activities:		
Advances for purchases of intangible assets	(4,572,982)	(1,270,399)
Purchase of property and equipment	(49,030)	(67,722)
Net Cash Used in Investing Activities	(4,622,012)	(1,338,121)
Cash Flows from Financing Activities:		
Proceeds from related party loan	-	293,004
Net Cash Provided by Financing Activity	-	293,004
Effect of Exchange Rate Changes on Cash	58,787	(28,571)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,505,185)	820,697
Cash and Cash Equivalents at Beginning of Period	4,029,708	4,050,854
Cash and Cash Equivalents at End of Period	\$ 2,524,523	\$ 4,871,551
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 167,819	\$ 151,667
Cash paid for income taxes	1,716,064	588,661
Supplemental Noncash Investing and Financing Activities:		
Accounts payable for purchases of property and equipment	\$ 153,621	\$ 144,153
Accounts receivable collected with banker's acceptances	5,756,309	2,026,928
Advances for purchases of equipment paid with banker's acceptances	2,063,840	-
Advances to suppliers paid with banker's acceptances	-	402,338
Inventory purchased with banker's acceptances	2,099,243	1,248,820