

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

HAIKOU CITY, China, May 15, 2013 - China Pharma Holdings, Inc. (NYSE MKT: CPHI) (“China Pharma” or the “Company”), an NYSE MKT listed corporation with its fully-integrated specialty pharmaceutical subsidiary based in China, today announced financial results for the three months ended March 31, 2013.

First Quarter 2013 Highlights

- Revenue decreased 49% to \$8.2 million in the first quarter of 2013 from \$16.1 million in the first quarter of 2012.
- Gross loss was \$1.6 million in the first quarter of 2013, a decrease of \$6.9 million compared to \$5.3 million gross profit in the first quarter of 2012; management estimated that without the effect of inventory obsolescence, gross profit would have been \$2.1 million in the first quarter of 2013.
- Net loss was \$2.8 million in the first quarter of 2013 compared to \$2.8 million net income in the first quarter of 2012, a decrease of \$5.6 million. Earnings (loss) per common share was (\$0.06) per basic and diluted share in the first quarter of 2013 compared with \$0.06 per share in the same period last year.

“The economic and pharmaceutical challenges and uncertainties had negatively impacted our business in the first quarter of 2013. In addition, due to the capital expenditure pressure from the GMP upgrade project, we have continued a tighten marketing strategy to control credit expansion in the market.” Ms. Zhilin Li, China Pharma's Chairman and CEO continued, “Per the mandatory requirements of new GMP requirements, the upgrading of our dried power injectable line and liquid injectable line must be completed by the end of 2013. We have adjusted our general sales and credit policies to a conservative stance since the beginning of 2012 in order to ensure the capital requirements for new GMP upgrading requirements are met, and control and improve the growing accounts receivable. The construction relative to certain required facilities and equipment is in full swing.”

First Quarter 2013 Results



China Pharma Holdings, Inc.

Revenues for the three months ended March 31, 2013 were \$8.2 million, a decrease of 49% from revenues of \$16.1 million for the three months ended March 31, 2012. This decrease was primarily due to our continued tightened marketing strategy as well as the cessation of our product Buflomedil. In March 2013, the China Food and Drug Administration (“CFDA”) issued a nationwide notice (the “CFDA Notice”) for the cessation of the production, sale and use of Buflomedil effective immediately.

The most significant revenue decrease in terms of dollar amount was in our “CNS Cerebral & Cardio Vascular” product category, which generated \$2.1 million in sales revenue in the three months ended March 31, 2013 compared to \$4.8 million a year ago, a decrease of \$2.7 million. This decrease was mainly due to sales of Buflomedil, because the CFDA issued a nationwide notice for the cessation of the production, sale and use of Buflomedil effective immediately. The Company ceased the production and sale of this product and voluntarily recalled limited quantities of our sold products from the market as a customer service measure. No further recall is mandated by the CFDA notice. Sales of the “Anti-Viro/Infection & Respiratory” category decreased by \$2.2 million to \$4.6 million in the three months ended March 31, 2013 compared to \$6.8 million in the previous year period. Our “Digestive Diseases” category generated \$0.8 million of sales in the three months ended March 31, 2013, compared to \$2.5 million in the previous year period, or a decrease of \$1.7 million. Our “Other” product category sales fell to \$0.7 million from \$2.0 million, a decrease of \$1.3 million.

In March 2013, as a result of the CFDA Notice, the Company recognized an inventory obsolescence expense in the amount of \$3.7 million to write off all of our Buflomedil-related raw materials and finished goods inventory. This was recorded as inventory obsolescence on the accompanying statement of operations for the three months ended March 31, 2013, which represented 11.1% of total inventory as of March 31, 2013. There was no comparable expense for the three months ended March 31, 2012.

Gross loss for the three months ended March 31, 2013 was \$1.6 million, while gross profit for the three months ended March 31, 2012 was \$5.3 million. Our gross profit margin in the first quarter of 2013 was (19%), compared to 33% in the first quarter of 2012. Without the effect of inventory obsolescence in the first quarter of 2013, management estimates that our gross profit would have been approximately \$2.1 million, and gross margin would have been 26% in the first quarter of 2013. 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 revenue and sales price, 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, but new products such as Candesartan and Rosuvastatin could help to support overall gross margin once they are launched.

Selling, general and administrative expenses in the first quarter of 2013 were \$1.6 million, or



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19% of sales, compared to \$1.6 million, or 10% of sales, in the first quarter of 2012. Due to many adjustments in our selling processes from healthcare reform policies, despite the decrease in sales, we still needed to maintain necessary personnel and expenses to support the sales and collection of accounts receivable. For the three months ended March 31, 2013, the Company recognized \$0.1 million bad debt benefit, compared to a bad debt expense of \$0.3 million in the same period of 2012.

Our operating loss for the three months ended March 31, 2013 was \$3.0 million, compared to operating income of \$3.4 million in the three months ended March 31, 2012, a decrease of \$6.4 million. The main reasons for the decrease were lower revenue, and the inventory obsolescence reserve recognized as a result of the CFDA notice on Buflomedil in the first quarter of 2013.

In the three months ended March 31, 2013 and 2012, we paid income tax at the rate of 15%. Income tax benefit was \$0.3 million in the three months ended March 31, 2013; and income tax expense was \$0.5 million for the three months ended March 31, 2012. As a result of the CFDA notice ceasing production of Buflomedil, we have net operating loss carry forwards of \$0.48 million which, under Chinese tax law can be “carried forward” for 5 years.

Net loss for three months ended March 31, 2013 was \$2.8 million, or earnings per basic and diluted common share was (\$0.06) per share, compared to net income of \$2.8 million in the three months ended March 31, 2012, or earnings per basic and diluted common share was \$0.06 per share. The decrease in net income was mainly due to the decrease in revenue, and the inventory obsolescence reserve recognized as a result of the CFDA notice on Buflomedil.

Financial Condition

As of March 31, 2013, the Company had cash and cash equivalents of \$4.8 million compared to \$4.0 million as of December 31, 2012. Working capital decreased to \$95.6 million as of March 31, 2013 from \$97.9 million as of December 31, 2012 and the current ratio was 8.6 times as of March 31, 2013 compared to 7.7 times as of December 31, 2012.

Accounts receivable balance decreased to \$62.7 million at March 31, 2013 from \$66.2 million at December 31, 2012. Our receivable decreased due to decreased sales and the improved performance of our collection of accounts receivable.

For the three months ended March 31, 2013, cash flow from operating activities was \$1.1 million, as compared to \$0.4 million as of December 31, 2012.



Pipeline Update

As of March 31, 2013, China Pharma had various pipeline drugs in different stages of active development. Some of these are highlighted below:

- Candesartan. The Company received production approval from the SFDA for Candesartan, a front-line drug therapy it developed for the treatment of hypertension in November 2012. It plans to launch this product during 2013.
- The Company completed clinical trials of Rosuvastatin, a generic form of Crestor, and is in the production approval process.
- Antibiotic Combination. The Company completed the Phase I clinical trials of its novel cephalosporin-based combination antibiotic in the third quarter of 2010. It is currently in Phase II of the clinical trial which is progressing well.
- The Company is developing a medicine for the treatment of coronary heart disease. This product comes with a patented TCM formula and is currently undergoing Phase III clinical trials for this drug. Due to the improved regulatory requests for clinical works, the Company adjusted its anticipated completion time frame for the clinical trials work for this product to 2013.

Conference Call

The Company will hold a conference call at 8:30 am ET on May 15, 2013 to discuss first quarter 2013 results. Listeners may access the call by dialing 1-866-519-4004 or 65-672-393-81 for international callers, Conference ID # 59804293. A webcast will also be available through CPHI's website at <http://www.chinapharmaholdings.com>. A replay of the call will be accessible through May 22, 2013 by dialing 1-855-452-5696 or 61-281-990-299 for international callers, Conference ID # 59804293.

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



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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)

	March 31, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,750,468	\$ 4,029,708
Banker's acceptances	1,180,864	101,570
Trade accounts receivable, less allowance for doubtful accounts of \$4,333,411 and \$4,429,945, respectively	62,697,675	66,175,570
Other receivables, less allowance for doubtful accounts of \$50,592 and \$49,881, respectively	255,292	80,799
Advances to suppliers	5,119,729	4,816,354
Inventory, less allowance for obsolescence of \$1,779,729 and \$1,769,984, respectively	33,260,226	36,359,516
Deferred tax assets	954,980	967,671
Total Current Assets	108,219,234	112,531,188
Advances for purchases of intangible assets	39,462,268	39,263,977
Property and equipment, net of accumulated depreciation of \$4,511,658 and \$4,273,373, respectively	9,288,259	9,031,894
Intangible assets, net of accumulated amortization of \$3,097,224 and \$2,944,726, respectively	2,289,851	2,412,854
TOTAL ASSETS	\$ 159,259,612	\$ 163,239,913
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 2,978,636	\$ 2,841,862
Accrued expenses	240,003	202,185
Accrued taxes payable	514,245	2,426,826
Other payables	1,014,647	1,094,886
Advances from customers	1,735,917	1,945,984
Other payables - related parties	1,354,567	1,354,567
Short-term notes payable	4,787,285	4,761,073
Total Current Liabilities	12,625,300	14,627,383
Long-term deferred tax liability	110,286	95,963
Total Liabilities	12,735,586	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	106,092,017	108,904,325
Accumulated other comprehensive income	16,798,225	15,978,458
Total Stockholders' Equity	146,524,026	148,516,567
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 159,259,612	\$ 163,239,913

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

For the Three Months

Ended March 31,

	2013	2012
Revenue	\$ 8,249,387	\$ 16,086,731
Cost of revenue	6,125,400	10,782,384
Inventory obsolescence	3,692,895	-
Gross profit	<u>(1,568,908)</u>	<u>5,304,347</u>
Operating expenses:		
Selling expenses	812,054	894,060
General and administrative expenses	739,427	676,402
Bad debt expense	(119,930)	320,098
Total operating expenses	<u>1,431,551</u>	<u>1,890,560</u>
(Loss) income from operations	<u>(3,000,459)</u>	<u>3,413,787</u>
Other income (expense):		
Interest income	1,586	690
Interest expense	(82,445)	(77,537)
Net other expense	<u>(80,859)</u>	<u>(76,847)</u>
(Loss) income before income taxes	(3,081,318)	3,336,940
Income tax benefit (expense)	269,011	(530,581)
Net (loss) income	<u>(2,812,307)</u>	<u>2,806,359</u>
Other comprehensive income - foreign currency translation adjustment	819,767	(407,517)
Comprehensive (loss) income	<u>\$ (1,992,540)</u>	<u>\$ 2,398,842</u>
(Loss) earnings per share:		
Basic	<u>\$ (0.06)</u>	<u>\$ 0.06</u>
Diluted	<u>\$ (0.06)</u>	<u>\$ 0.06</u>

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

	For the Three Months Ended March 31,	
	2013	2012
Cash Flows from Operating Activities:		
Net (loss) income	\$ (2,812,307)	\$ 2,806,359
Depreciation and amortization	350,468	365,223
Stock based compensation	-	56,489
Bad debt expense	(119,930)	320,098
Deferred income taxes	31,761	(34,312)
Inventory obsolescence reserve	3,692,895	-
Changes in assets and liabilities:		
Trade accounts receivable	589,186	(4,141,146)
Other receivables	(173,763)	(20,247)
Advances to suppliers	(276,405)	944,949
Inventory	1,890,843	(3,351,458)
Trade accounts payable	122,430	2,725,945
Accrued expenses	(32,516)	11,517
Accrued taxes payable	(1,922,780)	443,684
Other payables	(11,715)	54,337
Advances from customers	(220,418)	219,942
Net Cash Provided by Operating Activities	1,107,749	401,380
Cash Flows from Investing Activities:		
Net investment in banker's acceptances	-	(281,674)
Advances for purchases of property and equipment and intangible assets	(399,992)	(790,092)
Purchase of property and equipment	(4,373)	(7,926)
Net Cash Used in Investing Activities	(404,365)	(1,079,692)
Net Cash Provided by Financing Activity	-	-
Effect of Exchange Rate Changes on Cash	17,376	(52,736)
Net Increase in Cash and Cash Equivalents	720,760	(731,048)
Cash and Cash Equivalents at Beginning of Period	4,029,708	4,050,854
Cash and Cash Equivalents at End of Period	\$ 4,750,468	\$ 3,319,806
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 111,346	\$ 75,567
Cash paid for income taxes	1,593,510	274,587
Supplemental Noncash Investing and Financing Activities:		
Accounts payable for purchases of property and equipment	\$ 151,064	\$ 144,057
Accounts receivable collected with banker's acceptances	3,366,655	406,604
Inventory purchased with banker's acceptances	2,289,690	406,604