



## **China Pharma Holdings, Inc. Reports Second Quarter 2014 Financial Results**

HAIKOU CITY, China, August 15, 2014 - China Pharma Holdings, Inc. (NYSE MKT: CPHI) (“China Pharma” or the “Company”), an NYSE MKT listed corporation with its fully-integrated specialty pharmaceuticals subsidiary based in China, today announced its financial results for the three months ended June 30, 2014.

### **Second Quarter Highlights**

- Revenue was \$6.1 million in the second quarter of 2014, which represented a decrease of 24% from \$8.0 million in the second quarter of 2013.
- Loss from operations was \$8.5 million in the second quarter of 2014 compared to \$4.8 million in the second quarter of 2013.
- Net loss was \$8.6 million in the second quarter of 2014 compared to \$4.5 million in the second quarter of 2013. Loss per common share was \$0.20 per basic and diluted share in the second quarter of 2014 compared with \$0.10 in the second quarter of 2013.
- Gross profit margin was 39% in the second quarter of 2014, compared to 27% in second quarter of 2013. The increase in gross profit margin was mainly due to the decrease in purchasing prices of certain raw materials and the increase in selling prices of certain products due to market fluctuation.

“We have submitted the application for a new GMP certificate at the end of June 2014. We believe that the GMP upgrading will be successful and expect the new GMP certificate to be issued in approximately three to six months from our submission of the application.” said Ms. Zhilin Li, China Pharma's Chairman and CEO. Ms. Li continued, “The national CFDA staff was originally scheduled for an on-site-review of our new facility and production lines in late July of 2014. The review is a mandatory and major step in order for us to receive the new GMP certification. However, due to a once-in-forty-year 16 grade super typhoon Rammasun hitting Haikou on July 18, 2014, the on-site-review was postponed and the typhoon caused considerable damage to our manufacturing facilities and inventory. We have taken emergency measures to restore and recover post-typhoon to be ready for the rescheduled on-site-review in mid-August.”

## **Second Quarter 2014 Results**

Revenue decreased by 24% to \$6.1 million for the three months ended June 30, 2014, as compared to \$8.0 million for the three months ended June 30, 2013, due to the suspension of our injectable production lines this year.

Our cost of revenue was \$3.7 million, or 61% of total revenue in the second quarter of 2014, which represented a decrease of \$2.1 million from \$5.8 million, or 73% of total revenue, in the second quarter of 2013. The decrease in cost of revenue was mainly due to a decrease in purchasing prices of certain raw materials result from market fluctuation.

Gross profit was \$2.4 million in the second quarter of 2014, an increase of \$0.3 million, from \$2.2 million in the same period of 2013. Our gross profit margin in the second quarter of 2014 was 39% compared to 27% in the same period 2013. The increase in gross profit margin was mainly due to the decrease in purchasing prices of certain raw materials and the increase in selling prices of certain products result from market fluctuation.

Selling, general and administrative expenses were \$1.0 million, or 16% of sales in the second quarter of 2014, compared to \$1.3 million, or 16% of sales, in the same period in 2013. The Company's research and development expense was \$1.9 million in the second quarter of 2014, compared to \$0.9 million in the same period last year. The increase in R&D expense was mainly due to the costs related to testing of the new production lines and the payment schedule per milestone stated in the contracts.

Our bad debt expenses were \$8.0 million in the second quarter of 2014, compared to \$4.8 million in the same period in 2013. The increase in bad debt expenses was mainly due to the increase in the aged accounts receivable.

Our operating loss was \$8.5 million in the second quarter of 2014, compared to \$4.8 million in the same period in 2013. The increase in operating loss was primarily due to the decrease in sales, the increase in bad debt expense and R&D expense recognized during the three months ended June 30, 2014.

For the three months ended June 30, 2014 and 2013, our income tax rate was 15%. Income tax expense was \$0.02 million for the three months ended June 30, 2014, and income tax benefit was \$0.4 million for the three months ended June 30, 2013. The income taxes recognized for the three months ended June 30, 2014 and 2013 were related to changes in deferred tax assets and liabilities. We renewed our "National High-Tech Enterprise" status ("National HT Status") from



the PRC government in the third quarter of 2013. With this designation, for the years ending December 31, 2014, 2015 and 2016, we will continue to enjoy a preferential tax rate of 15% which is notably lower than the statutory income tax rate of 25%.

Net loss was \$8.6 million or \$0.20 per basic and diluted share in the second quarter of 2014, compared to \$4.5 million, or \$0.10 per basic and diluted share in the same period in 2013. The increase in net loss was primarily due to the decrease in sales, the increase in bad debt expense and R&D expense recognized for the three months ended June 30, 2014.

### **Six Months Results**

Revenue for the six months ended June 30, 2014 was \$13.2 million, down 19% from revenue of \$16.3 million for the six months ended June 30, 2013.

Gross profit for the six months ended June 30, 2014 was \$5.1 million for the six months ended June 30, 2014, compared to \$0.6 million for the corresponding period of 2013. Gross profit for the six months ended June 30, 2013 was impacted by an inventory obsolescence amount of \$3.7 million during that period.

Operating loss was \$10.9 million for the six months ended June 30, 2014, decreased by \$3.1 million from \$7.8 million for the same period of 2013.

Net loss was \$11.0 million, or \$0.25 per basic and diluted share for the six months ended June 30, 2014, compared to \$4.2 million, or \$0.17 per basic and diluted share, for the same period a year ago.

### **Financial Condition**

As of June 30, 2014, the Company had cash and cash equivalents of \$4.4 million compared to \$6.0 million as of December 31, 2013. Working capital decreased to \$57.1 million as of June 30, 2014 from \$72.0 million as of December 31, 2013 and the current ratio was 5.8 times as of June 30, 2014 compared to 7.0 times as of December 31, 2013.

Our accounts receivable balance decreased to \$35.9 million at June 30, 2014 from \$45.1 million at December 31, 2013. The decrease was due to our enhanced collection efforts as well as the increased allowance for doubtful accounts at June 30, 2014 compared to December 31, 2013.



For the three months ended June 30, 2014, cash flow from operating activities was \$2.4 million, as compared to \$3.1 million in the same period in 2013.

### **Conference Call**

The Company will hold a conference call at 8:30 am ET on August 15, 2014 to discuss its second quarter 2014 results. Listeners may access the call by dialing 1-866-519-4004 or 65-672-393-81 for international callers, Conference ID # 81036556. A webcast will also be available through CPHI's website at <http://www.chinapharmaholdings.com>. A replay of the call will be accessible until August 23, 2014 by dialing 1-855-452-5696 or 61-281-990-299 for international callers, Conference ID # 81036556.

### **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)

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 4,425,744	\$ 5,993,139
Banker's acceptances	92,832	336,003
Trade accounts receivable, less allowance for doubtful accounts of \$24,499,361 and \$13,301,622, respectively	35,904,934	45,147,602
Other receivables, less allowance for doubtful accounts of \$60,083 and \$43,064, respectively	482,862	175,739
Advances to suppliers	7,142,290	7,626,716
Inventory, less allowance for obsolescence of \$7,968,701 and \$8,027,126, respectively	20,960,894	24,677,120
<b>Total Current Assets</b>	<u>69,009,556</u>	<u>83,956,319</u>
<b>Advances for purchases of intangible assets</b>	41,397,984	41,701,505
<b>Property and equipment</b> , net of accumulated depreciation of \$5,628,507 and \$5,264,350, respectively	34,115,618	30,241,337
<b>Intangible assets</b> , net of accumulated amortization of \$3,978,083 and \$3,812,992, respectively	1,506,490	1,711,793
<b>TOTAL ASSETS</b>	<u>\$ 146,029,648</u>	<u>\$ 157,610,954</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	\$ 2,541,166	\$ 1,877,437
Accrued expenses	293,539	323,651
Other payables	1,179,720	1,312,361
Advances from customers	1,626,334	2,228,238
Other payables - related parties	1,354,567	1,354,567
Short-term notes payable	4,873,928	4,909,662
<b>Total Current Liabilities</b>	<u>11,869,254</u>	<u>12,005,916</u>
<b>Non-current Liabilities:</b>		
Construction loan facility	12,997,141	12,484,183
Long-term deferred tax liability	213,575	176,414
<b>Total Liabilities</b>	<u>25,079,970</u>	<u>24,666,513</u>
<b>Stockholders' Equity:</b>		
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	77,862,833	88,896,276
Accumulated other comprehensive income	19,453,061	20,414,381
<b>Total Stockholders' Equity</b>	<u>120,949,678</u>	<u>132,944,441</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 146,029,648</u>	<u>\$ 157,610,954</u>

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue	\$ 6,130,544	\$ 8,026,325	\$ 13,236,059	\$ 16,275,712
Cost of revenue	3,713,147	5,849,002	8,158,276	11,974,402
Inventory obsolescence	-	27,178	-	3,720,073
Gross profit	<u>2,417,397</u>	<u>2,150,145</u>	<u>5,077,783</u>	<u>581,237</u>
Operating expenses:				
Selling expenses	627,442	701,687	1,447,847	1,513,741
General and administrative expenses	382,832	591,251	806,759	1,164,263
Research and development expenses	1,902,027	865,249	2,346,434	1,031,664
Bad debt expense	8,032,315	4,752,733	11,340,444	4,632,803
Total operating expenses	<u>10,944,616</u>	<u>6,910,920</u>	<u>15,941,484</u>	<u>8,342,471</u>
(Loss) income from operations	<u>(8,527,219)</u>	<u>(4,760,775)</u>	<u>(10,863,701)</u>	<u>(7,761,234)</u>
Other income (expense):				
Interest income	16,828	1,016	38,611	2,602
Interest expense	<u>(113,363)</u>	<u>(92,049)</u>	<u>(169,810)</u>	<u>(174,494)</u>
Net other income (expense)	<u>(96,535)</u>	<u>(91,033)</u>	<u>(131,199)</u>	<u>(171,892)</u>
(Loss) income before income taxes	(8,623,754)	(4,851,808)	(10,994,900)	(7,933,126)
Income tax benefit (expense)	<u>(19,196)</u>	<u>387,983</u>	<u>(38,543)</u>	<u>656,994</u>
<b>Net (loss) income</b>	<u>(8,642,950)</u>	<u>(4,463,825)</u>	<u>(11,033,443)</u>	<u>(7,276,132)</u>
Other comprehensive income - foreign currency translation adjustment	<u>153,664</u>	<u>2,218,896</u>	<u>(961,320)</u>	<u>3,038,663</u>
<b>Comprehensive (loss) income</b>	<u>\$ (8,489,286)</u>	<u>\$ (2,244,929)</u>	<u>\$ (11,994,763)</u>	<u>\$ (4,237,469)</u>
(Loss) earnings per share:				
Basic	<u>\$ (0.20)</u>	<u>\$ (0.10)</u>	<u>\$ (0.25)</u>	<u>\$ (0.17)</u>
Diluted	<u>\$ (0.20)</u>	<u>\$ (0.10)</u>	<u>\$ (0.25)</u>	<u>\$ (0.17)</u>

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

	<b>For the Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (11,033,443)	\$ (7,276,132)
Depreciation and amortization	596,819	697,549
Bad debt expense	11,340,444	4,632,803
Deferred income taxes	38,543	(656,994)
Inventory obsolescence reserve	-	3,720,073
Changes in assets and liabilities:		
Trade accounts receivable	(3,398,497)	1,672,236
Other receivables	(309,181)	(468,509)
Advances to suppliers	429,998	(648,436)
Inventory	4,781,501	1,745,256
Trade accounts payable	714,380	1,403,638
Accrued taxes payable	(35,513)	(1,767,344)
Other payables and accrued expenses	(124,072)	(15,103)
Advances from customers	(587,165)	19,003
<b>Net Cash Provided by Operating Activities</b>	<b>2,413,814</b>	<b>3,058,040</b>
<b>Cash Flows from Investing Activities:</b>		
Advances for purchases of intangible assets	-	(4,572,982)
Purchases of property and equipment and construction in process	(4,543,490)	(49,030)
<b>Net Cash Used in Investing Activities</b>	<b>(4,543,490)</b>	<b>(4,622,012)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from construction term loan	605,347	-
<b>Net Cash Provided by Financing Activity</b>	<b>605,347</b>	<b>-</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>(43,066)</b>	<b>58,787</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(1,567,395)</b>	<b>(1,505,185)</b>
Cash and Cash Equivalents at Beginning of Period	5,993,139	4,029,708
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 4,425,744</b>	<b>\$ 2,524,523</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	\$ 621,841	\$ 167,819
Cash paid for income taxes	-	1,716,064
<b>Supplemental Noncash Investing and Financing Activities:</b>		
Accounts payable for purchases of property and equipment	\$ 35,275	\$ 153,621
Accounts receivable collected with banker's acceptances	994,624	5,756,309
Inventory purchased with banker's acceptances	1,235,956	2,099,243
Advances for purchases of equipment paid with banker's acceptances	-	2,063,840