



## China Pharma Holdings, Inc. Reports Full Year 2013 Financial Results

HAIKOU CITY, China, March 21, 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 financial results for the year ended December 31, 2013.

### Full Year Highlights

- Revenue decreased 40% to \$32.8 million in fiscal year 2013 from \$54.5 million in fiscal year 2012.
- Loss from operations was \$18.6 million in fiscal year 2013 compared to income from operation of \$5.9 million in 2012, a decrease of \$24.5 million.
- Net loss was \$20.0 million in fiscal year 2013 compared to net income of \$4.6 million in 2012, a decrease of \$24.6 million. Loss per common share was 46 cents per basic and diluted share in fiscal 2013 compared with earnings of 11 cents per basic and diluted share in 2012.
- Gross loss margin was (1.5%) in fiscal year 2013, compared to gross profit margin of 26% in fiscal 2012. Without the effect of inventory obsolescence, management estimates that our gross profit would have been approximately 29% in both 2013 and 2012.

"China provides a unique opportunity to its pharmaceutical industry; however, real challenges remain: from compulsory new GMP upgrading requirement and rising pricing pressure to extended regulatory review time for new medical production applications, which temporally impacted our performance negatively in 2013," said Ms. Zhilin Li, China Pharma's Chairman and CEO. Ms Li continued, "we have maintained a conservative stance in general sales and credit policies in 2013 in order to ensure the capital requirements for new GMP upgrading requirements, and control and improve the condition of our accounts receivable. As of January 1, 2014, we have suspended our dry powder injectable and liquid injectable production lines due to the failure to meet the new GMP upgrading deadline. However, we have already completed the overall architectural structure of our new facility, and are in the process of installation and commissioning the equipment. We are looking forward to submitting the application for new GMP certificate in the second quarter of 2014."

### Full Year Results



Revenues for the year ended December 31, 2013 were \$32.8 million, a decrease of 40% from revenues of \$54.5 million for the year ended December 31, 2012. This decrease primarily resulted from decreases in sales throughout all our product categories, especially our CNS Cerebral & Cardio Vascular products (decreased by roughly \$8 million) and our Anti-Viro/Infectious & Respiratory products (decreased by roughly \$6.3 million).

Gross loss for the year ended December 31, 2013 was \$0.5 million, compared to gross profit of \$14.1 million in 2012, a decrease of \$14.6 million. Gross loss margin was (1.5%) in 2013, compared to gross profit margin of 25.8% for 2012. Without the effect of inventory obsolescence, management estimates that our gross profit would have been approximately 29% in both 2013 and 2012. The Healthcare Reform instituted by the Chinese government since 2009 contains pricing controls, which have resulted in margin compression in most pharmaceutical products on the market today, especially in the generic space where many of our products are sold. Going forward, we expect to see continued pricing pressures on most products, while new products could help to support overall gross margin once they are launched. We launched Candesartan in November 2013 and started its marketing activities.

Selling, general and administrative expenses in 2013 were \$5.7 million, or 17.3% of sales, compared to \$6.4 million, or 11.8% of sales, in 2012. For the year ended December 31, 2013, the Company's research and development expense was \$1.7 million, compared to \$0.4 million in 2012. The increase in R&D expense was mainly due to the fact that the Company has started to take a dominant position in the research activities of formulation screening, new technology exploration, technical criteria improvement in 2013. We expect this new model will improve our exploration channels for pipeline products.

For the year ended December 31, 2013, the Company's bad debt expense was \$10.8 million, compared to a bad debt expense of \$0.9 million in 2012. In the fourth quarter of 2013, we implemented a one-time trade receivables collection discount program to accelerate the collection of old accounts receivable. Management negotiated settlement offers with certain customers from which we had accounts receivable balances of approximately \$8.0 million that were greater than one year past due. The offers to these customers were comprised of discounts ranging from 15% to 30% of the total past due balance in exchange for payment of the remaining balance in full by December 31, 2013. As a result of this program, we were able to collect cash of approximately \$5.85 million after granting those customers discounts totaling \$2.1 million. The collection discounts were recorded as bad debt expense.

Operating loss was \$18.6 million in 2013 compared to operating income of \$5.9 million in 2012, a decrease of \$24 million. The lower operating income in 2013 reflects lower revenue, higher inventory obsolescence and higher bad debt expenses in 2013.

For the years ended December 31, 2013 and 2012, our income tax rate was 15%. Income tax expense was \$1.1 million and \$1.0 million for the years ended December 31, 2013 and 2012, respectively. 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 for the year 2013 was \$20.0 million, or \$0.46 per basic and diluted share, compared to net income of \$4.6 million, or \$0.11 per basic and diluted share in 2012. The decrease in net income was mainly due to the decrease in revenue, increase in inventory obsolescence, and increase in bad debt expense.

### **Financial Condition**

As of December 31, 2013, the Company had cash and cash equivalents of \$6.0 million compared to \$4.0 million as of December 31, 2012. Year-over-year, working capital decreased to \$72 million in 2013 from \$98 million in 2012 and the current ratio was 7.0 times in 2013, decreased from 7.7 times in 2012.

Our accounts receivable balance decreased to \$45.1 million at December 31, 2013 from \$66.2 million at December 31, 2012. Our receivables decreased due to our enhanced collection efforts, increased allowance and the trade receivables collection discount program implemented in the fourth quarter of 2013 to encourage the collection of accounts receivable aged over one year, and a decrease in sales.

For the year ended December 31, 2013, cash flow from operating activities was \$8.6 million, as compared to \$3.6 million in 2012.

In addition, 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). We utilized RMB 76,283,350 (approximately \$12.4 million) of the facility through March 7, 2014. The cash flow generated from operating activities and the newly executed construction loan facility is being used to fund the construction of our new GMP upgrading project.

### **Pipeline Update**

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

- Antibiotic Combination - We completed the Phase I clinical trials of our novel cephalosporin-based combination antibiotic. We are currently in Phase II of the clinical trial, due to the increased regulatory requests for clinical works.



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- Rosuvastatin - Rosuvastatin is a generic form of Crestor, a drug for the treatment of high blood cholesterol levels. Clinical trials for this generic drug were completed in the fourth quarter of 2010 and we have submitted an application for production approval, and are performing supplemental trials of related materials pursuant to the new criteria requirements.
- Heart Disease Drug - We have an oral solution for the treatment of coronary heart disease in our new product pipeline. This product comes with a patented Traditional Chinese Medicine (TCM) formula and is currently in Phase III clinical trials following the improved regulatory criteria for clinical works.

### **Conference Call**

The Company will hold a conference call at 8:30 am ET on March 21, 2014 to discuss fiscal year 2013 results. Listeners may access the call by dialing 1-800-742-9301 or +65-3158-0667 for international callers, Conference ID # 8557805. A webcast will also be available through CPHI's website at <http://www.chinapharmaholdings.com>. A replay of the call will be accessible through March 28, 2014 by dialing 1-855-452-5696 or +61-281-990-299 for international callers, Conference ID # 8557805.

### **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



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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.**  
**CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 5,993,139	\$ 4,029,708
Banker's acceptances	336,003	101,570
Trade accounts receivable, less allowance for doubtful accounts of \$13,301,622 and \$4,429,945, respectively	45,147,602	66,175,570
Other receivables, less allowance for doubtful accounts of \$43,064 and \$49,881, respectively	175,739	80,799
Advances to suppliers	7,626,716	4,816,354
Inventory, less allowance for obsolescence of \$8,027,126 and \$1,769,984, respectively	24,677,120	36,359,516
Deferred tax assets	-	967,671
<b>Total Current Assets</b>	<b>83,956,319</b>	<b>112,531,188</b>
<b>Advances for purchases of intangible assets</b>	<b>41,701,505</b>	<b>39,263,977</b>
<b>Property and equipment</b> , net of accumulated depreciation of \$5,264,350 and \$4,273,373, respectively	<b>30,241,337</b>	<b>9,031,894</b>
<b>Intangible assets</b> , net of accumulated amortization of \$3,812,992 and \$2,944,726, respectively	<b>1,711,793</b>	<b>2,412,854</b>
<b>TOTAL ASSETS</b>	<b>\$ 157,610,954</b>	<b>\$ 163,239,913</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	\$ 1,877,437	\$ 2,841,862
Accrued expenses	323,651	202,185
Accrued taxes payable	-	2,426,826
Other payables	1,312,361	1,094,886
Advances from customers	2,228,238	1,945,984
Other payables - related parties	1,354,567	1,354,567
Short-term notes payable	4,909,662	4,761,073
<b>Total Current Liabilities</b>	<b>12,005,916</b>	<b>14,627,383</b>
<b>Non-current Liabilities:</b>		
Construction loan facility	12,484,183	-
Long-term deferred tax liability	176,414	95,963
<b>Total Liabilities</b>	<b>24,666,513</b>	<b>14,723,346</b>
<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	88,896,276	108,904,325
Accumulated other comprehensive income	20,414,381	15,978,458
<b>Total Stockholders' Equity</b>	<b>132,944,441</b>	<b>148,516,567</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 157,610,954</b>	<b>\$ 163,239,913</b>

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

	<b>For the Years</b>	
	<b>Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
Revenue	\$ 32,806,678	\$ 54,507,049
Cost of revenue	23,405,886	38,660,814
Inventory obsolescence	9,881,711	1,769,984
Gross (loss) profit	(480,919)	14,076,251
Operating expenses:		
Selling expenses	3,284,905	3,535,214
General and administrative expenses	2,404,338	2,874,644
Research and development expenses	1,683,244	438,662
Bad debt expense	10,752,991	871,612
Impairment of intangible assets	-	593,095
Total operating expenses	18,125,478	8,313,227
Government subsidy income	-	141,987
(Loss) income from operations	(18,606,397)	5,905,011
Other income (expense):		
Interest income	8,457	4,944
Interest expense	(348,696)	(308,375)
Net other expense	(340,239)	(303,431)
(Loss) income before income taxes	(18,946,636)	5,601,580
Income tax expense	(1,061,413)	(983,921)
<b>Net (loss) income</b>	(20,008,049)	4,617,659
Other comprehensive income - foreign currency translation adjustment	4,435,923	1,274,091
<b>Comprehensive (loss) income</b>	\$ (15,572,126)	\$ 5,891,750
<b>(Loss) earnings per share:</b>		
Basic	\$ (0.46)	\$ 0.11
Diluted	\$ (0.46)	\$ 0.11

**CHINA PHARMA HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Years</b>	
	<b>Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities:</b>		
Net (loss) income	\$ (20,008,049)	\$ 4,617,659
Depreciation and amortization	1,612,830	1,462,771
Stock based compensation	-	141,721
Bad debt expense	10,752,991	871,612
Deferred income taxes	1,061,413	(430,250)
Inventory obsolescence reserve	6,121,655	1,769,984
Impairment of intangible assets	-	593,095
Changes in assets and liabilities:		
Trade accounts and other receivables	3,633,180	(1,098,322)
Advances to suppliers	(2,625,629)	1,014,760
Inventory	11,155,810	(4,702,575)
Trade accounts payable	(1,183,733)	(306,040)
Accrued expenses and other liabilities	356,640	246,817
Accrued taxes payable	(2,499,949)	(683,357)
Other payables	-	744
Advances from customers	218,656	145,201
<b>Net Cash Provided by Operating Activities</b>	<b>8,595,815</b>	<b>3,643,820</b>
<b>Cash Flows from Investing Activities:</b>		
Advances for purchases of intangible assets	(298,631)	(3,218,035)
Advances for purchases of property and equipment	-	(1,612,670)
Purchases of property and equipment	(18,794,261)	(156,878)
<b>Net Cash Used in Investing Activities</b>	<b>(19,092,892)</b>	<b>(4,987,583)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from construction term loan	12,322,648	-
Proceeds from issuance of notes payable	-	793,223
Proceeds from related party loan	-	493,004
<b>Net Cash Provided by Financing Activity</b>	<b>12,322,648</b>	<b>1,286,227</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>137,860</b>	<b>36,390</b>
<b>Net (Decrease ) Increase in Cash and Cash Equivalents</b>	<b>1,963,431</b>	<b>(21,146)</b>
Cash and Cash Equivalents at Beginning of Period	4,029,708	4,050,854
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 5,993,139</b>	<b>\$ 4,029,708</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	\$ 569,855	\$ 298,433
Cash paid for income taxes	2,481,164	2,138,853
<b>Supplemental Noncash Investing and Financing Activities:</b>		
Accounts payable for purchases of property and equipment	\$ 144,243	\$ 151,731
Accounts receivable collected with banker's acceptances	8,317,045	4,354,825
Purchases of property and equipment paid with banker's acceptances	2,564,790	1,540,820
Advances for purchases of intangibles paid with banker's acceptances	897,820	27,909
Inventory purchased with banker's acceptances	4,626,165	2,768,805