

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

HAIKOU CITY, China, May 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 March 31, 2014.

### **Full Year Highlights**

- Revenue was \$7.1 million in the first quarter of 2014, which represented a decrease of 14% from \$8.2 million in the first quarter of 2013. The rate of decrease in revenue in the first quarter of 2014 slowed compared to prior quarters.
- Loss from operations was \$2.3 million in the first quarter of 2014 compared to \$3.0 million in the first quarter of 2013.
- Net loss was \$2.4 million in the first quarter of 2014 compared to \$2.8 million in the first quarter of 2013. Loss per common share was \$0.05 per basic and diluted share in the first quarter of 2014 compared with \$0.06 per basic and diluted share in the first quarter of 2013.
- Gross profit margin was 37% in first quarter of 2014, compared to gross loss margin of 19% in first quarter of 2013. The increase in gross margin was mainly due to the lack of inventory obsolescence in the first quarter 2014, as well as a decrease in purchasing prices of certain raw materials and an increase in selling prices of certain products due to market fluctuation.

"We have maintained a conservative stance in our general sales and credit policies in the first quarter 2014 in order to ensure the capital requirements for new GMP upgrading



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requirements, and to control and improve the condition of our accounts receivable.” said Ms. Zhilin Li, China Pharma's Chairman and CEO. Ms. Li continued, “Construction of the main building for our new GMP facility has been basically completed, and two new sterilization production lines have been installed, and are undergoing testing and commissioning. We intend to submit the application for a new GMP certificate in 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. As of January 1, 2014, we suspended production on our two existing lines due to the failure to meet the GMP upgrading deadline. We intend to upgrade these lines after production commences on the lines in our new facility.”

### **First Quarter 2014 Results**

Revenue decreased by 14% to \$7.1 million for the three months ended March 31, 2014, as compared to \$8.2 million for the three months ended March 31, 2013. The decrease in revenue slowed down compared to the prior quarters.

Our cost of revenue was \$4.4 million, or 63% of total revenue in the first quarter of 2014, which represented a decrease of \$1.7 million from \$6.1 million, or 74% of total revenue, in the first quarter of 2013. The decrease in cost of revenue in the first quarter of 2014 was mainly due to a decrease in purchasing prices of certain raw materials due to market fluctuation.

Gross profit was \$2.7 million in the first quarter of 2014, an increase of \$4.2 million, from gross loss of \$1.6 million in the same period of 2013. Our gross profit margin in the first quarter of 2014 was 37% compared to gross loss margin of 19% in the same period 2013. The increase in gross margin was mainly due to the lack of inventory obsolescence in the first quarter 2014, as well as decrease in purchasing prices of certain raw materials and increase in selling prices of certain products.

Selling, general and administrative expenses were \$1.2 million, or 18% of sales in the first quarter of 2014, compared to \$1.4 million, or 17% of sales, in the same period in 2013. The Company's research and development expense was \$0.4 million, compared to \$0.2 million in the same period last year. The increase in R&D expense was mainly due to the Company's continued efforts to take a dominant position in research activities relating to formulation screening, new technology exploration and technical criteria improvement since 2013. We expect this new model will improve our exploration channels for pipeline products.

Our bad debt expenses were \$3.3 million in the first quarter in 2014, while our bad debt benefit was \$0.1 million in the same period in 2013. The increase in bad debt expenses was



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mainly due to the increase in the accounts receivable with older age.

Our operating loss was \$2.3 million in the first quarter of 2014, compared to an operating loss of \$3.0 million in the same period in 2013. The decrease in operating loss was primarily due to the inventory obsolescence recognized for the three months ended March 31, 2013, and the bad debt expense recognized for the three months ended March 31, 2014. This was partially offset by increases in gross profit due to overall higher margins during the three months ended March 31, 2014.

For the three months ended March 31, 2014 and 2013, our income tax rate was 15%. Income tax benefit was \$0.2 million for the three months ended March 31, 2014, and income tax expense was \$0.3 million for the three months ended March 31, 2013. The income taxes recognized for the three months ended March 31, 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 \$2.4 million or \$0.05 per basic and diluted share in the first quarter of 2014, compared to net loss of \$2.8 million, or \$0.06 per basic and diluted share in the same period in 2013. The decrease of the net loss was primarily due to the inventory obsolescence recognized in the first quarter of 2013, and the bad debt expense recognized in the first quarter of 2014. This was partially offset by increases in gross profit due to overall higher margins during the first quarter of 2014.

### **Financial Condition**

As of March 31, 2014, the Company had cash and cash equivalents of \$5.3 million compared to \$6.0 million as of December 31, 2013. Working capital decreased to \$66.1 million as of March 31, 2014 from \$72.0 million as of December 31, 2013 and the current ratio was 6.6 times as of March 31, 2014 compared to 7.0 times as of December 31, 2013.

Our accounts receivable balance decreased to \$42.3 million at March 31, 2014 from \$45.1 million at December 31, 2013. Our receivables decreased due to our enhanced collection efforts as well as the increased allowance for doubtful accounts at March 31, 2014 compared to December 31, 2013.



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For the three months ended March 31, 2014, cash flow from operating activities was \$2.5 million, as compared to \$1.1 million in the same period in 2013.

### **Conference Call**

The Company will hold a conference call at 8:30 am ET on May 15, 2014 to discuss first quarter 2014 results. Listeners may access the call by dialing 1-866-519-4004 or 65-672-393-81 for international callers, Conference ID # 44464724. 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 23, 2014 by dialing 1-855-452-5696 or 61-281-990-299 for international callers, Conference ID # 44464724.

### **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.chinaphramaholdings.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-



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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)

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 5,291,959	\$ 5,993,139
Banker's acceptances	64,474	336,003
Trade accounts receivable, less allowance for doubtful accounts of \$16,468,452 and \$13,301,622, respectively	42,338,373	45,147,602
Other receivables, less allowance for doubtful accounts of \$47,973 and \$43,064, respectively	203,304	175,739
Advances to suppliers	7,083,626	7,626,716
Inventory, less allowance for obsolescence of \$7,960,027 and \$8,027,126, respectively	22,894,014	24,677,120
<b>Total Current Assets</b>	<b>77,875,750</b>	<b>83,956,319</b>
<b>Advances for purchases of intangible assets</b>	41,352,971	41,701,505
<b>Property and equipment</b> , net of accumulated depreciation of \$5,420,743 and \$5,264,350, respectively	33,515,040	30,241,337
<b>Intangible assets</b> , net of accumulated amortization of \$3,877,440 and \$3,812,992, respectively	1,601,170	1,711,793
<b>TOTAL ASSETS</b>	<b>\$ 154,344,931</b>	<b>\$ 157,610,954</b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	\$ 2,181,848	\$ 1,877,437
Accrued expenses	287,581	323,651
Accrued taxes payable	-	-
Other payables	1,253,823	1,312,361
Advances from customers	1,782,371	2,228,238
Other payables - related parties	1,354,567	1,354,567
Short-term notes payable	4,868,628	4,909,662
<b>Total Current Liabilities</b>	<b>11,728,818</b>	<b>12,005,916</b>
<b>Non-current Liabilities:</b>		
Construction loan facility	12,983,008	12,484,183
Long-term deferred tax liability	194,141	176,414
<b>Total Liabilities</b>	<b>24,905,967</b>	<b>24,666,513</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	86,505,783	88,896,276
Accumulated other comprehensive income	19,299,397	20,414,381
<b>Total Stockholders' Equity</b>	<b>129,438,964</b>	<b>132,944,441</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 154,344,931</b>	<b>\$ 157,610,954</b>

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

(Unaudited)

	<b>For the Three Months</b>	
	<b>Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Revenue	\$ 7,105,515	\$ 8,249,387
Cost of revenue	4,445,129	6,125,400
Inventory obsolescence	-	3,692,895
Gross profit	<u>2,660,386</u>	<u>(1,568,908)</u>
Operating expenses:		
Selling expenses	820,405	812,054
General and administrative expenses	423,927	573,012
Research and development expenses	444,407	166,415
Bad debt expense (benefit)	3,308,129	(119,930)
Total operating expenses	<u>4,996,868</u>	<u>1,431,551</u>
(Loss) income from operations	<u>(2,336,482)</u>	<u>(3,000,459)</u>
Other income (expense):		
Interest income	21,783	1,586
Interest expense	(56,447)	(82,445)
Net other expense	<u>(34,664)</u>	<u>(80,859)</u>
(Loss) income before income taxes	(2,371,146)	(3,081,318)
Income tax (expense) benefit	(19,347)	269,011
<b>Net (loss) income</b>	<u>(2,390,493)</u>	<u>(2,812,307)</u>
Other comprehensive income - foreign currency translation adjustment	(1,114,984)	819,767
<b>Comprehensive (loss) income</b>	<u>\$ (3,505,477)</u>	<u>\$ (1,992,540)</u>
<b>(Loss) earnings per share:</b>		
Basic	<u>\$ (0.05)</u>	<u>\$ (0.06)</u>
Diluted	<u>\$ (0.05)</u>	<u>\$ (0.06)</u>

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

	<b>For the Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash Flows from Operating Activities:</b>		
Net (loss) income	\$ (2,390,493)	\$ (2,812,307)
Depreciation and amortization	298,955	350,468
Bad debt expense	3,308,129	(119,930)
Deferred income taxes	19,347	31,761
Inventory obsolescence reserve	-	3,692,895
Changes in assets and liabilities:		
Trade accounts receivable	(1,502,564)	589,186
Other receivables	(29,253)	(173,763)
Advances to suppliers	482,976	(276,405)
Inventory	2,504,292	1,890,843
Trade accounts payable	321,134	122,430
Accrued taxes payable	(24,759)	(1,922,780)
Other payables and accrued expenses	(66,326)	(44,231)
Advances from customers	(430,479)	(220,418)
<b>Net Cash Provided by Operating Activities</b>	<b>2,490,959</b>	<b>1,107,749</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment and construction in process	(3,753,668)	(404,365)
<b>Net Cash Used in Investing Activities</b>	<b>(3,753,668)</b>	<b>(404,365)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from construction term loan	607,733	-
<b>Net Cash Provided by Financing Activity</b>	<b>607,733</b>	<b>-</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>(46,204)</b>	<b>17,376</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(701,180)</b>	<b>720,760</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>\$ 5,291,959</b>	<b>\$ 4,750,468</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	\$ 276,215	\$ 111,346
Cash paid for income taxes	-	1,593,510
<b>Supplemental Noncash Investing and Financing Activities:</b>		
Accounts payable for purchases of property and equipment	\$ 1,382	\$ 151,064
Accounts receivable collected with banker's acceptances	644,740	3,366,655
Inventory purchased with banker's acceptances	915,495	2,289,690