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

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

Third Quarter Highlights

- Revenue decreased 33% to \$8.1 million in the third quarter of 2013 from \$12.2 million in the third quarter of 2012.
- Gross profit was \$2.2 million in the third quarter of 2013, a decrease of approximately \$1.0 million compared to \$3.2 million gross profit in the third quarter of 2012.
- Net loss was \$2.3 million in the third quarter of 2013 compared to \$1.3 million net income in the third quarter of 2012, a decrease of \$3.6 million. Earnings (loss) per common share was (\$0.05) per basic and diluted share in the third quarter of 2013 compared with \$0.03 per share in the same period last year.
- Candesartan, a front-line drug therapy for the treatment of hypertension, was launched in November, 2013 and we expect this product to generate revenue in the fourth quarter of 2013.
- Our "National High-Tech Enterprise" status ("National HT Status") was successfully renewed in the third quarter of 2013. With this designation, we continue to be entitled to a preferential tax rate of 15% for the years ending December 31, 2014, 2015 and 2016, which is notably lower than the statutory income tax rate of 25%.

"We feel excited about the launching of Candesartan, the long-awaited front-line drug therapy for the treatment of hypertension in November, 2013. We expect this product to bring positive impact on our revenue and margin through organized marketing and our existing sales network." Ms. Zhilin Li, China Pharma's Chairman and CEO continued, "The



successful renewal of National HT Status, which entitles us to a preferential tax rate of 15% for 2014, 2015 and 2016, requires strict scrutiny from the provincial government; and again evidenced our solid fundamentals and healthy operation. We will continue focusing on our business development and new GMP project construction, and believe that this will support the fair evaluation of our shareholders' interest in the future."

Third Quarter 2013 Results

Revenue for the three months ended September 30, 2013 was \$8.1 million, a decrease of 33% from revenue of \$12.2 million for the three months ended September 30, 2012. Given the capital expenditure pressure from the 2013 new GMP upgrade project, we have had to control credit expansion in the market, and the resulting marketing strategy with an emphasis on credit tightening has negatively impacted our revenue. However, the decrease in revenues in the third quarter 2013 has slowed compared to the condition in the previous quarters.

Our sales decreased throughout our major product categories. In terms of dollar amount, the most significant revenue decrease of \$1.4 million was in our "CNS Cerebral & Cardio Vascular" product category, which generated \$1.8 million in sales revenue in the three months ended September 30, 2013 compared to \$3.2 million for the same period in the prior year. The decrease was mainly due to a decrease in the sales of Gastrodin and the CFDA recall notice on Bufomedil. In March 2013 the CFDA issued a nationwide notice which required the cessation of the production, sale and use of Bufomedil effective immediately. Consequently, the Company ceased the production and sale of this product. Sales of the "Anti-Viro/Infection & Respiratory" category decreased by \$1.0 million to \$4.2 million in the three months ended September 30, 2013 compared to \$5.1 million for the same period in the prior year. Our "Other" product category sales for the three months ended September 30, 2013 fell to \$1.3 million from \$2.5 million, a decrease of \$1.2 million. Sales of our "Digestive Diseases" category generated \$0.8 million in sales in the three months ended September 30, 2013, compared to \$1.2 million in the same period of the previous year, a decrease of \$0.4 million.

Gross profit for the three months ended September 30, 2013 was \$2.2 million, while gross profit for the three months ended September 30, 2012 was \$3.2 million. Our gross profit margin in the third quarter of 2013 was 28%, compared to 27% in the third quarter of 2012. The decrease in gross profit was in line with the performance of revenue in this period, and the gross margin remained stable.

Selling, general and administrative expenses in the third quarter of 2013 were \$1.6 million, or 20% of sales, compared to \$1.5 million, or 12% of sales, in the third quarter of 2012. This increase was mainly due to the expenses related to technology upgrades and production process improvements for some of our existing marketed products in the period. For the three months ended September 30, 2013, the Company recognized \$3.3 million in bad debt expenses, compared to \$0.2 million in the same period of 2012. The increase in bad debt expenses was mainly due to an increase in our accounts receivable that are beyond 720 days old. Our bad debt allowance estimate is currently calculated as the sum of 3.5% of accounts receivable that are less than 360 days old, 10% of accounts receivable that are between 360 days and 720 days old, and 100% of accounts receivable that are greater than 720 days old.

Our operating loss for the three months ended September 30, 2013 was \$2.7 million, compared to operating income of \$1.6 million in the three months ended September 30, 2012, a decrease of \$4.3 million. The main reasons for the decrease were lower revenues and an increase in bad debt expense.



In the three months ended September 30, 2013 and 2012, we paid income tax at the rate of 15%. The Income tax benefit was \$0.5 million in the three months ended September 30, 2013 compared to an income tax expense of \$0.2 million for the three months ended September 30, 2012. As a result of lower revenues, we have accumulated net operating loss carry forwards of \$2.8 million which, under Chinese tax law, can be “carried forward” for 5 years.

Net loss for three months ended September 30, 2013 was \$2.3 million, or a loss per basic and diluted common share of (\$0.05), compared to net income of \$1.3 million in the three months ended September 30, 2012, or earnings per basic and diluted common share of \$0.03. The decrease in net income was mainly due to the decrease in revenue and the increase in bad debt expense.

Nine Months Results

Revenue for the nine months ended September 30, 2013 was \$24.4 million, down 43% from revenue of \$42.9 million for the nine months ended September 30, 2012. Gross profit for the nine months ended September 30, 2013 was \$2.8 million, down 78% from gross profit of \$12.7 million for the corresponding period of 2012. Operating loss was \$10.4 million, down \$17.7 million from operating income of \$7.2 million for the first nine months of 2012. Net loss was \$9.6 million, or (\$0.22) per basic and diluted share, compared to net income of \$5.9 million, or \$0.13 per basic and diluted share, for the same period a year ago.

Financial Condition

As of September 30, 2013, the Company had cash and cash equivalents of \$4.5 million compared to \$4.0 million as of December 31, 2012. Working capital decreased to \$85.3 million as of September 30, 2013 from \$97.9 million as of December 31, 2012 and the current ratio was 7.6 times as of September 30, 2013 compared to 7.7 times as of December 31, 2012.

Our accounts receivable balance decreased to \$52.5 million at September 30, 2013 from \$66.2 million at December 31, 2012. Our receivables 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 nine months ended September 30, 2013, cash flow from operating activities was \$3.7 million, as compared to \$3.0 million for the nine months ended September 30, 2012.

Conference Call

The Company will hold a conference call at 8:30 a.m. ET on November 15, 2013 to discuss its third quarter 2013 results. Listeners may access the call by dialing 1-866-519-4004 or 65-672-393-81 for international callers, Conference ID # 91256244. A webcast will also be available through CPHI's website at <http://www.chinapharmaholdings.com>. A replay of the call will be accessible through November 23, 2013 by dialing 1-855-452-5696 or 61-281-990-299 for international callers, Conference ID # 91256244.



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, central nervous system, 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>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,505,498	\$ 4,029,708
Banker's acceptances	281,488	101,570
Trade accounts receivable, less allowance for doubtful accounts of \$12,531,218 and \$4,429,945, respectively	52,516,831	66,175,570
Other receivables, less allowance for doubtful accounts of \$78,434 and \$49,881, respectively	541,131	80,799
Advances to suppliers	5,596,520	4,816,354
Inventory, less allowance for obsolescence of \$5,170,866 and \$1,769,984, respectively	32,637,434	36,359,516
Deferred tax assets	2,195,131	967,671
Total Current Assets	<u>98,274,033</u>	<u>112,531,188</u>
Advances for purchases of intangible assets	41,545,065	39,263,977
Property and equipment , net of accumulated depreciation of \$5,036,637 and \$4,273,373, respectively	20,594,678	9,031,894
Intangible assets , net of accumulated amortization of \$3,427,924 and \$2,944,726, respectively	<u>2,073,452</u>	<u>2,412,854</u>
TOTAL ASSETS	<u>\$ 162,487,228</u>	<u>\$ 163,239,913</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 3,297,624	\$ 2,841,862
Accrued expenses	277,161	202,185
Accrued taxes payable	-	2,426,826
Other payables	1,047,269	1,094,886
Advances from customers	2,089,501	1,945,984
Other payables - related parties	1,354,567	1,354,567
Short-term notes payable	4,888,860	4,761,073
Total Current Liabilities	<u>12,954,982</u>	<u>14,627,383</u>
Non-current Liabilities:		
Construction loan facility	6,518,480	-
Long-term deferred tax liability	156,384	95,963
Total Liabilities	<u>19,629,846</u>	<u>14,723,346</u>
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	99,326,162	108,904,325
Accumulated other comprehensive income	19,897,436	15,978,458
Total Stockholders' Equity	<u>142,857,382</u>	<u>148,516,567</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 162,487,228</u>	<u>\$ 163,239,913</u>

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenue	\$ 8,116,599	\$ 12,176,344	\$ 24,392,311	\$ 42,861,478
Cost of revenue	5,863,587	8,932,552	17,837,989	30,174,983
Inventory obsolescence	15,747	-	3,735,820	-
Gross profit	<u>2,237,265</u>	<u>3,243,792</u>	<u>2,818,502</u>	<u>12,686,495</u>
Operating expenses:				
Selling expenses	921,851	856,172	2,435,592	2,632,177
General and administrative expenses	725,167	598,258	2,921,094	2,087,401
Bad debt expense	3,277,780	171,508	7,910,583	724,745
Total operating expenses	<u>4,924,798</u>	<u>1,625,938</u>	<u>13,267,269</u>	<u>5,444,323</u>
(Loss) income from operations	<u>(2,687,533)</u>	<u>1,617,854</u>	<u>(10,448,767)</u>	<u>7,242,172</u>
Other income (expense):				
Interest income	2,228	1,588	4,830	3,069
Interest expense	(89,238)	(79,507)	(263,732)	(235,516)
Net other income (expense)	<u>(87,010)</u>	<u>(77,919)</u>	<u>(258,902)</u>	<u>(232,447)</u>
(Loss) income before income taxes	(2,774,543)	1,539,935	(10,707,669)	7,009,725
Income tax benefit (expense)	<u>472,512</u>	<u>(244,452)</u>	<u>1,129,506</u>	<u>(1,147,965)</u>
Net (loss) income	<u>(2,302,031)</u>	<u>1,295,483</u>	<u>(9,578,163)</u>	<u>5,861,760</u>
Other comprehensive income (loss) - foreign currency translation adjustment	<u>880,315</u>	<u>(124,625)</u>	<u>3,918,978</u>	<u>848,260</u>
Comprehensive (loss) income	<u>\$ (1,421,716)</u>	<u>\$ 1,170,858</u>	<u>\$ (5,659,185)</u>	<u>\$ 6,710,020</u>
(Loss) earnings per share:				
Basic	<u>\$ (0.05)</u>	<u>\$ 0.03</u>	<u>\$ (0.22)</u>	<u>\$ 0.13</u>
Diluted	<u>\$ (0.05)</u>	<u>\$ 0.03</u>	<u>\$ (0.22)</u>	<u>\$ 0.13</u>

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

	For the Nine Months Ended September 30,	
	2013	2012
Cash Flows from Operating Activities:		
Net (loss) income	\$ (9,578,163)	\$ 5,861,760
Depreciation and amortization	1,039,716	1,096,641
Stock based compensation	-	141,721
Bad debt expense	7,910,583	724,745
Deferred income taxes	(1,129,506)	(67,603)
Inventory obsolescence reserve	3,311,926	-
Changes in assets and liabilities:		
Trade accounts receivable	1,077,182	(2,443,587)
Other receivables	(452,500)	(73,579)
Advances to suppliers	(642,850)	1,385,889
Inventory	4,138,431	(5,911,799)
Trade accounts payable	376,312	1,661,109
Accrued expenses	22,302	80,653
Accrued taxes payable	(2,486,073)	(83,191)
Other payables	20,545	30,203
Advances from customers	90,159	566,972
Net Cash Provided by Operating Activities	3,698,064	2,969,934
Cash Flows from Investing Activities:		
Advances for purchases of intangible assets	(496,634)	(1,272,956)
Purchases of construction in process	(9,177,004)	(1,020,731)
Purchases of property and equipment	(90,084)	(81,352)
Net Cash Used in Investing Activities	(9,763,722)	(2,375,039)
Cash Flows from Financing Activities:		
Proceeds from construction term loan	6,437,906	-
Proceeds from related party loan	-	393,004
Net Cash Provided by Financing Activity	6,437,906	393,004
Effect of Exchange Rate Changes on Cash	103,542	23,013
Net (Decrease) Increase in Cash and Cash Equivalents	475,790	1,010,912
Cash and Cash Equivalents at Beginning of Period	4,029,708	4,050,854
Cash and Cash Equivalents at End of Period	\$ 4,505,498	\$ 5,061,766
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 324,117	\$ 228,874
Cash paid for income taxes	2,472,099	1,343,957
Supplemental Noncash Investing and Financing Activities:		
Accounts payable for purchases of property and equipment	\$ 136,742	\$ 144,153
Accounts receivable collected with banker's acceptances	6,256,327	2,026,928
Advances for purchases of equipment paid with banker's acceptances	2,555,419	-
Advances for purchases of intangibles paid with banker's acceptances	715,445	-
Advances to suppliers paid with banker's acceptances	-	402,338
Inventory purchased with banker's acceptances	2,810,462	1,248,820