



China Pharma Holdings, Inc.

Contact:

China Pharma Holdings, Inc.

Phone: +86-898-6681-1730 (China)

Email: hps@chinapharmaholdings.com

China Pharma Holdings, Inc. Reports Third Quarter 2014 Financial Results

HAIKOU CITY, China, November 14, 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 September 30, 2014.

Third Quarter Highlights

- In November 2014 the CFDA completed their process of the GMP certification for our new facility and issued the GMP certificate to enable us to commence manufacturing our liquid injectable and dry powder injectable product lines.
- Revenue for the three months ended September 30, 2014 was \$5.5 million, a decrease of 31% from \$8.1 million for the three months ended September 30, 2013.
- Losses from Natural Disaster of \$2,275,593 relating to a tropical typhoon during the three months ended September 30, 2014
- Operating loss for the three months ended September 30, 2014 was \$6 million, compared to operating loss of \$2.7 million in the same period in 2013.
- Net loss for three months ended September 30, 2014 and 2013 were \$6.3 million and \$2.3 million, respectively.

In November 2014 the CFDA completed their process of the GMP certification for our new facility and issued the GMP certificate to enable us to commence manufacturing our liquid injectable and dry powder injectable product lines. We have commenced the operation on the two product lines as of the date of this report.

typhoon caused considerable damage to our manufacturing facilities and inventory. Part of the warehouse was flooded; some damage was caused to our new facility while the water and



electricity supply was suspended for several days causing a brief halt to our production activities. We have taken emergency measures to restore and recover post-typhoon. The Company's losses from natural disaster were approximately \$2.3 million (RMB14.2 million) for the nine months ended September 30, 2014. The Company received insurance compensation of \$0.01 million as only the new plant building was insured and the damage to it was minor. The old plant has restored to the operational mode at the end of July.

Third Quarter 2014 Results

Revenue for the three months ended September 30, 2014 was \$5.5 million, a decrease of 31% from \$8.1 million for the three months ended September 30, 2013. This was mainly due to the production suspension of our injectable production lines this year.

For the three months ended September 30, 2014, our cost of revenue was \$4.0 million, or 73% of total revenue, which represented a decrease of \$1.8 million from \$5.8 million, or 73% of total revenue, in the third quarter of 2013. The decrease in cost of revenue in the third quarter of 2014 was mainly due to the decrease in purchasing prices of certain raw materials due to market fluctuations.

Gross profit for the three months ended September 30, 2014 was \$1.5 million, a decrease of \$0.7 million, from gross profit of \$2.2 million in the same period of 2013. Our gross profit margin in the third quarter of 2014 was 27% compared to 28% in the same period of 2013. Looking forward, we expect pricing pressures on most products, while our new products have and will support the overall gross margin. For instance, Candesartan, the product we launched last November, is sold at a price that supports our gross margin

Our selling expenses for the three months ended September 30, 2014 were \$0.7 million, compared to \$0.9 million in the same period last year. Selling expenses accounted for 13% of the total revenue in the third quarter 2014 compared to 11% in the same period in 2013. Due to many adjustments in our selling processes under healthcare reform policies, despite the decrease in sales, we still require comparable personnel and expenses to maintain our revenue and collection of accounts receivable.

Our general and administrative expenses for the three months ended September 30, 2014 were \$0.42 million, an increase of \$0.05 million from \$0.37 million in the same period of 2013. General and administrative expenses accounted for 8% and 5% of our total revenues in the three months ended September 30, 2014 and 2013, respectively.

Our bad debt expenses for the three months ended September 30, 2014 and 2013 were \$3.9 million and \$3.2 million, respectively. The increase in bad debt expenses was mainly due to the increase in the aged accounts receivable.

We suffered losses of \$2,275,593 relating to a tropical typhoon during the three months ended September 30, 2014 as discussed more fully in Note 2 to the condensed consolidated financial statements. There was no comparable expense in the prior year period.



China Pharma Holdings, Inc.

Our operating loss for the three months ended September 30, 2014 was \$6 million, compared to operating loss of \$2.7 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 the losses from natural disaster recognized during the three months ended September 30, 2014.

For the three months ended September 30, 2014 and 2013, our income tax rate was 15%. Income tax expense was \$0.02 million for the three months ended September 30, 2014, and income tax benefit was \$0.4 million for the three months ended September 30, 2013. The income taxes recognized for the three months ended September 30, 2014 and 2013 were related to net changes in long-term 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 ended 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 three months ended September 30, 2014 and 2013 were \$6.3 million and \$2.3 million, respectively. The increase in net loss was primarily due to the decrease in sales, the increase in bad debt expense and the losses from natural disaster recognized for the three months ended September 30, 2014.

Six Months Results

For the nine months ended September 30, 2014, our sales revenue decreased by \$5.6 million, or 23%, to \$18.8 million from \$24.4 million in the corresponding period of 2013.

Gross profit for the nine months ended September 30, 2014 was \$6.6 million, compared to \$2.8 million in the same period of 2013. Gross profit margin for the nine months ended September 30, 2014 and 2013 were 35% and 12% respectively. Without the effect of inventory obsolescence for the nine months ended September 30, 2013, management estimates that our gross profit would have been approximately \$6.5 million, and gross margin would have been 27%. The increase in gross profit margin was mainly due to market fluctuation and sales price increases in certain products; in addition, more high-margin products were sold in the first nine months of 2014 compared to the same period a year ago.

Our operating loss for the nine months ended September 30, 2014 was approximately \$16.85 million, compared to \$10.45 million for the same period in 2013, which represented a deterioration of \$6.40 million. The deterioration in operating income performance was primarily due to lower revenue, higher bad debt and R&D expense and losses from natural disaster in the current period compared to the corresponding period one year ago.

Our net loss for the nine months ended September 30, 2014 and 2013 was \$17.4 million and \$9.6 million, respectively. The deterioration in net income performance was primarily due to lower revenue, higher bad debt expense R&D expense losses from natural disaster in the current period as compared to the corresponding period one year ago.

Financial Condition



China Pharma Holdings, Inc.

Our cash and cash equivalents were \$4.3 million, which represents 3% of our total assets as of September 30, 2014, as compared to \$6.0 million, which represents 4% of our total assets as of December 31, 2013.

At September 30, 2014, our accounts receivable was \$30.6 million, a decrease of \$14.5 million 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 September 30, 2014 compared to December 31, 2013.

Net cash provided by operating activities was \$2.6 million in the nine months ended September 30, 2014 compared to \$3.7 million for the same period in 2013.

Conference Call

("China Pharma") (NYSE MKT: CPHI), an NYSE MKT listed corporation with its fully-integrated specialty pharmaceuticals subsidiary based in China, today announced that it plans to hold its third quarter 2014 earnings conference call on Friday November 14, 2014 at 8:30 a.m. ET. Listeners may access the call by dialing 1-800-742-9301 or +61-283-733-610 for international callers, Conference ID#27452300. 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 21, 2014 by dialing 1-855-452-5696 or +61-281-990-299 for international callers, Conference ID#27452300.

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.

- FINANCIAL TABLES FOLLOW -



China Pharma Holdings, Inc.

CHINA PHARMA HOLDINGS, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,269,037	\$ 5,993,139
Banker's acceptances	116,047	336,003
Trade accounts receivable, less allowance for doubtful accounts of \$27,912,179 and \$13,301,622, respectively	30,642,878	45,147,602
Other receivables, less allowance for doubtful accounts of \$70,004 and \$43,064, respectively	516,095	175,739
Advances to suppliers	9,040,464	7,626,716
Inventory, less allowance for obsolescence of \$4,670,853 and \$8,027,126, respectively	19,014,172	24,677,120
Total Current Assets	63,598,693	83,956,319
Advances for purchases of intangible assets	41,653,862	41,701,505
Property and equipment, net of accumulated depreciation of \$5,951,165 and \$5,264,350, respectively	33,869,491	30,241,337
Intangible assets, net of accumulated amortization of \$4,075,696 and \$3,812,992, respectively	1,410,482	1,711,793
TOTAL ASSETS	\$ 140,532,528	\$ 157,610,954
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 3,131,988	\$ 1,877,437
Accrued expenses	214,740	323,651
Other payables	1,293,273	1,312,361
Advances from customers	1,773,478	2,228,238
Other payables - related parties	1,354,567	1,354,567
Current portion of construction loan facility	1,625,118	-
Short-term notes payable	4,875,353	4,909,662
Total Current Liabilities	14,268,517	12,005,916
Non-current Liabilities:		
Construction loan facility	11,375,825	12,484,183
Long-term deferred tax liability	232,866	176,414
Total Liabilities	25,877,208	24,666,513
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	71,535,109	88,896,276
Accumulated other comprehensive income	19,486,427	20,414,381
Total Stockholders' Equity	114,655,320	132,944,441
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 140,532,528	\$ 157,610,954



China Pharma Holdings, Inc.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue	\$ 5,566,543	\$ 8,116,599	\$ 18,802,602	\$ 24,392,311
Cost of revenue	4,057,480	5,863,587	12,215,756	17,837,989
Inventory obsolescence	-	15,747	-	3,735,820
Gross profit	<u>1,509,063</u>	<u>2,237,265</u>	<u>6,586,846</u>	<u>2,818,502</u>
Operating expenses:				
Selling expenses	745,976	921,851	2,193,823	2,435,592
General and administrative expenses	422,729	372,568	1,229,488	1,536,831
Research and development expenses	181,796	352,599	2,528,230	1,384,263
Bad debt expense	3,940,144	3,277,780	15,280,588	7,910,583
Losses from natural disaster	2,275,593	-	2,275,593	-
Total operating expenses	<u>7,566,238</u>	<u>4,924,798</u>	<u>23,507,722</u>	<u>13,267,269</u>
Subsidy income	65,086	-	65,086	-
Loss from operations	<u>(5,992,089)</u>	<u>(2,687,533)</u>	<u>(16,855,790)</u>	<u>(10,448,767)</u>
Other income (expense):				
Interest income	8,824	2,228	47,435	4,830
Interest expense	<u>(325,244)</u>	<u>(89,238)</u>	<u>(495,054)</u>	<u>(263,732)</u>
Net other expense	<u>(316,420)</u>	<u>(87,010)</u>	<u>(447,619)</u>	<u>(258,902)</u>
Loss before income taxes	(6,308,509)	(2,774,543)	(17,303,409)	(10,707,669)
Income tax benefit (expense)	<u>(19,215)</u>	<u>472,512</u>	<u>(57,758)</u>	<u>1,129,506</u>
Net loss	<u>(6,327,724)</u>	<u>(2,302,031)</u>	<u>(17,361,167)</u>	<u>(9,578,163)</u>
Other comprehensive income - foreign currency translation adjustment	33,366	880,315	(927,954)	3,918,978
Comprehensive (loss) income	<u>\$ (6,294,358)</u>	<u>\$ (1,421,716)</u>	<u>\$ (18,289,121)</u>	<u>\$ (5,659,185)</u>
Loss per share:				
Basic	<u>\$ (0.15)</u>	<u>\$ (0.05)</u>	<u>\$ (0.40)</u>	<u>\$ (0.22)</u>
Diluted	<u>\$ (0.15)</u>	<u>\$ (0.05)</u>	<u>\$ (0.40)</u>	<u>\$ (0.22)</u>



China Pharma Holdings, Inc.

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

	For the Nine Months Ended September 30,	
	2014	2013
Cash Flows from Operating Activities:		
Net loss	\$ (17,361,167)	\$ (9,578,163)
Depreciation and amortization	1,014,221	1,039,716
Bad debt expense	15,280,588	7,910,583
Deferred income taxes	57,758	(1,129,506)
Inventory obsolescence reserve	-	3,311,926
Changes in assets and liabilities:		
Trade accounts receivable	(3,029,386)	1,077,182
Other receivables	(342,012)	(452,500)
Advances to suppliers	(1,468,882)	(642,850)
Inventory	7,671,072	4,138,431
Trade accounts payable	1,338,724	376,312
Accrued taxes payable	(34,638)	(2,486,073)
Other payables and accrued expenses	(90,108)	42,847
Advances from customers	(439,740)	90,159
Net Cash Provided by Operating Activities	2,596,430	3,698,064
Cash Flows from Investing Activities:		
Advances for purchases of intangible assets	(244,073)	(496,634)
Purchases of property and equipment and construction in process	(4,638,265)	(9,267,088)
Net Cash Used in Investing Activities	(4,882,338)	(9,763,722)
Cash Flows from Financing Activities:		
Proceeds from construction term loan	604,756	6,437,906
Net Cash Provided by Financing Activity	604,756	6,437,906
Effect of Exchange Rate Changes on Cash	(42,950)	103,542
Net (Decrease) Increase in Cash and Cash Equivalents	(1,724,102)	475,790
Cash and Cash Equivalents at Beginning of Period	5,993,139	4,029,708
Cash and Cash Equivalents at End of Period	\$ 4,269,037	\$ 4,505,498
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 943,251	\$ 324,117
Cash paid for income taxes	-	2,472,099
Supplemental Noncash Investing and Financing Activities:		
Accounts payable for purchases of property and equipment	\$ 69,378	\$ 136,742
Accounts receivable collected with banker's acceptances	1,955,808	6,256,327
Inventory purchased with banker's acceptances	2,173,689	2,810,462
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

Contact:

China Pharma Holdings, Inc.
Phone: +86-898-6681-1730 (China)
Email: hps@chinapharmaholdings.com