



China Pharma Holdings, Inc.

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China Pharma Holdings, Inc. Reports Third Quarter 2015 Financial Results

HAIKOU CITY, China, November 17, 2015 - 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 the financial results for the quarter ended September 30, 2015.

Third Quarter Highlights

- Revenue decreased 19.5% to \$4.8 million in the third quarter of 2015 from \$5.6 million in the third quarter of 2014.
- Gross profit was \$0.3 million in the third quarter of 2015, compared to gross profit of \$1.5 million in the third quarter of 2014.
- Loss from operations was \$3.9 million in the third quarter of 2015 compared to \$6.0 million in the third quarter of 2014.
- Net loss was \$4.1 million in the third quarter of 2015 compared to \$6.3 million in the third quarter of 2014. Loss per common share was \$0.10 per basic and diluted share in the third quarter of 2015 compared with \$0.15 per basic and diluted share in the same period of 2014.

“ Our cost and expenses have experienced certain increase in this quarter due to the new GMP standards for quality control improvement, which lead to an increase in our production costs and the increased sales efforts to recover our market shares.” said Ms. Zhilin Li, China Pharma's Chairman and



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CEO. Ms. Li continued, “Although the financial performance in this quarter did not immediately reflect the improvement of our production ability, through continuous efforts, we are very confident on recovering and expanding market. The CNY 9.6 million (approximately USD 1.6 million) government subsidies we received in July 2015 also reflects the recognition from the government on the fundamentals of our business. In addition, we are currently upgrading the granule and cephalosporin production lines in our old factories, and expect to receive new GMP certificates for the two production lines by the end of this year.”

Third Quarter Results

Revenue for the three months ended September 30, 2015 was \$4.5 million, a decrease of 19.5% from \$5.6 million for the three months ended September 30, 2014. This was mainly because we were in the middle of the GMP upgrading process starting from 2014 and, as a result, we missed some drug tenders in several provinces, which affect the sales of the subsequent quarters.

For the three months ended September 30, 2015, our cost of revenue was \$3.7 million, or 83% of total revenue, which represented a decrease of \$0.3 million from \$4.1 million, or 73% of total revenue, in the third quarter of 2014. The increase in the percentage of cost to revenue in the third quarter of 2015 was mainly caused by the introduction of new GMP standards for quality control improvement, which leads to an increase in our production costs, such as energy consumption and depreciation.

There was \$0.4 million of inventory obsolescence recorded for the three months ended September 30, 2015, and no inventory obsolescence for the three months ended September 30, 2014. We previously tested and recorded inventory obsolescence allowance on an annual basis. We started recording inventory obsolescence allowance on a quarterly basis during the first quarter of 2015 as we believe otherwise it may result in material modification in our financial statements at the interim periods.

Gross profit for the three months ended September 30, 2015 was \$0.03 million, compared to \$1.5 million in the same period of 2014. Our gross profit margin in the third quarter of 2015 was 7.2% compared to 27.1% in the same period of 2014. Without considering the effect of inventory obsolescence in the three months ended September 30, 2015, management estimates that our gross profit margin would have been approximately 16.9% in this period. The decrease in gross profit margin was mainly due to the increase in production costs incurred to comply with the new GMP requirements, as well as the inventory obsolescence incurred in the third quarter 2015.



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Our selling expenses for the three months ended September 30, 2015 were \$1.2 million, compared to \$0.7 million in the same period last year. Selling expenses accounted for 25.8% of the total revenue in the third quarter 2015 compared to 13.4% in the same period 2014. Due to many adjustments in our selling processes under healthcare reform policies, despite the decrease in sales, we still rely on fixed personnel and expenses to support our revenue and collection of accounts receivable. In addition, after receiving new GMP certificates, we are aiming to recover our market share and therefore require more sales expenses and marketing efforts.

Our research and development expenses for the three months ended September 30, 2015 were \$0.4 million, compared to \$0.2 million in the same period last year. The change in research and development expenses was mainly due to the costs related to some consumption goods purchased by our laboratory incurred in this quarter; while no comparable expenses incurred in the third quarter 2014.

Our bad debt expenses for the three months ended September 30, 2015 and 2014 were both \$3.9 million. In order to collect cash to support the construction of our new plant and to meet the policy requirements for new GMP upgrading, we have shifted to prudent sales strategies in the recent two years. This strategy strengthened the preference on sales to customers with good credit performance, while reduced the supplement to customers with poor credit. On the one hand, this strategy contributed to the recovery of funds; on the other hand, it negatively impacted our sales and indirectly prolonged the payment from the estranged customers. These two factors resulted in increased proportion of our older-aged accounts receivable balance.

The Company received USD 1.6 million subsidy income in the three months ended September 30, 2015, mainly in the name of an interest discount due to the technological innovation we have achieved and the industrial upgrading related to our new GMP; while in the same period 2014, we received USD 0.07 million subsidy income.

Net loss for three months ended September 30, 2015 and 2014 were \$4.1 million and \$6.3 million, respectively. The decrease in net loss was primarily due to the increase in subsidy income and partially offset by the decrease in revenue in the third quarter of 2015. For the three months ended September 30, 2015, loss per basic and diluted common share was \$0.10, compared to loss per basic and diluted share of \$0.15 for the same period in 2014.

Nine Months Results



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Revenue for the nine months ended September 30, 2015 was \$15.8 million, down 16% from revenue of \$18.8 million for the nine months ended September 30, 2014.

Gross profit for the nine months ended September 30, 2015 was \$1.3 million, compared to \$6.6 million in the same period of 2014. Gross profit margin for the nine months ended September 30, 2015 and 2014 were 8% and 35%, respectively. Without considering the effect of inventory obsolescence in the nine months ended September 30, 2015, management estimates that our gross profit margin would have been approximately 20%. The decrease in gross profit margin was mainly due to the increase in production costs incurred to comply with the new GMP requirements, more lower margin products sold in this period, as well as the inventory obsolescence incurred for the nine months ended September 30, 2015.

Operating loss was \$15.4 million for the nine months ended September 30, 2015, decreased by \$1.5 million from \$16.9 million for the same period of 2014.

Net loss was \$16.2 million, or \$0.37 per basic and diluted share for the nine months ended September 30, 2015, compared to \$17.4 million, or \$0.40 per basic and diluted share, for the same period a year ago.

Financial Condition

As of September 30, 2015, the Company had cash and cash equivalents of \$5.7 million, compared to \$5.3 million as of December 31, 2014. Working capital decreased to \$23.7 million in September 30, 2015 from \$40.3 million in December 31, 2014 and the current ratio was 2.5 times at September 30, 2015, decreased from 3.8 times as of December 31, 2014.

Our accounts receivable balance decreased to \$11.8 million as of September 30, 2015 from \$24.9 million as of December 31, 2014. The decrease was due to the decrease in sales and the increase in bad debt allowance.

Conference Call

The Company will hold a conference call at 8:30 am ET on November 17, 2015 to discuss the financial results for the third quarter of 2015. Listeners may access the call by dialing 1-866-519-4004 or 65-671-350-90 for international callers, Conference ID # 74350423. A replay of the call will be accessible through November 25, 2015 by dialing 1-855-452-5696 or 61-281-990-299 for international callers, Conference ID # 74350423.

About China Pharma Holdings, Inc.



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 new 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>2015</u>	<u>December 31,</u> <u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,741,709	\$ 5,295,790
Banker's acceptances	312,801	458,233
Trade accounts receivable, less allowance for doubtful accounts of \$44,920,727 and \$33,350,109, respectively	11,779,405	24,851,086
Other receivables, less allowance for doubtful accounts of \$84,280 and \$60,325, respectively	419,022	272,199
Advances to suppliers	9,314,711	7,889,009
Inventory, less allowance for obsolescence of \$7,355,699 and \$6,934,044, respectively	12,290,243	15,321,856
Prepaid expenses	-	404,370
Total Current Assets	<u>39,857,891</u>	<u>54,492,543</u>
Advances for purchases of intangible assets	41,337,205	42,390,186
Property and equipment , net of accumulated depreciation of \$8,862,709 and \$6,640,718, respectively	30,453,919	33,881,878
Intangible assets , net of accumulated amortization of \$4,389,602 and \$4,186,273, respectively	<u>1,034,058</u>	<u>1,317,221</u>
TOTAL ASSETS	<u>\$112,683,073</u>	<u>\$132,081,828</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 4,329,918	\$ 2,550,816
Accrued expenses	221,856	269,870
Other payables	1,436,124	1,401,470
Advances from customers	914,276	2,078,866
Other payables - related parties	1,354,567	1,354,567
Current portion of construction loan facility	3,147,723	1,629,062
Short-term notes payable	4,721,584	4,887,187
Total Current Liabilities	<u>16,126,048</u>	<u>14,171,838</u>
Non-current Liabilities:		
Construction loan facility	9,443,167	11,403,438
Long-term deferred tax liability	300,010	252,707
Total Liabilities	<u>25,869,225</u>	<u>25,827,983</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	46,610,873	62,848,901
Accumulated other comprehensive income	<u>16,569,191</u>	<u>19,771,160</u>
Total Stockholders' Equity	<u>86,813,848</u>	<u>106,253,845</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$112,683,073</u>	<u>\$132,081,828</u>