China Pharma Holdings, Inc. Reports Third Quarter Financial Results

HAIKOU CITY, China, November 15, 2016 - China Pharma Holdings, Inc. (NYSE MKT: CPHI) ("China Pharma," the "Company" or "We"), an NYSE MKT listed corporation with its fully-integrated specialty pharmaceuticals subsidiary based in China, today announced financial results for the quarter ended September 30, 2016.

Third Quarter Highlights

- Revenue was $3.1 million in the third quarter of 2016, which represented a decrease of 30.2% compared to $4.5 million in the same period of 2015;

- Gross margin was 11.2% in the third quarter of 2016, compared to 7.2% in the same period of 2015;

- Loss from operations was $1.5 million in the third quarter of 2016 compared to income from operations of $3.2 million in the same period of 2015, a decrease of $4.7 million;

- Net loss was $1.7 million in the third quarter of 2016 compared to net income of $2.9 million in the same period of 2015. Loss per common share was $0.04 per basic and diluted share in the third quarter of 2016 compared with income per common share of $0.07 per basic and diluted share in the same period of 2015.

"The China Food and Drug Administration ('CFDA') issued 'Notice on Rectification Against Illegal Operation on Drug Logistic & Distribution' on May 3, 2016. As it had become the top priority for all pharmaceutical distributors to take measures to comply with this government policy, their time and efforts had been arranged around the inspection from CFDA, which delayed their ordinary promoting practices, purchase and distribution activities. Those significant negative impact upon distributors had continued in the three months ended September 30, 2016. which also impacted the sales performance in the third quarter of upstream suppliers like us." said Ms. Zhilin Li, China Pharma's Chairman and CEO. Ms. Li continued, "With the implementation of Consistency Evaluation on Quality and Efficacy of Generic Drugs, as well as the CFDA rectification, we continued to feel the pressure from macro-environment on our industry. In addition, the government's healthcare-price-controls also maintained continuous pressure upon our sales. Although we believe that the pharmaceutical industry is still facing a lot of challenges, with the continuous improvement of the national pharmaceutical management system and pharmaceutical companies to enhance their own strength, as well as China's huge pharmaceutical consumer market, the pharmaceutical industry still has bright prospects for development."

Third Quarter 2016 Results

Revenue decreased by 30.2% to $3.1 million for the three months ended September 30, 2016, as compared to $4.5 million for the three months ended September 30, 2015. This decrease was primarily due to the rectification and standardization upon drug distributors by CFDA as discussed above, whose significant negative impact upon distributors had continued in the three months ended September 30, 2016, which also impacted the sales performance in the third quarter of upstream suppliers like us. In addition, the government's healthcare-price-controls also maintained continuous pressure upon our sales.

For the three months ended September 30, 2016, our cost of revenue was $2.7 million, or 86.3% of total revenue, which represented a decrease of $1.0 million from $3.7 million, or 83.1% of total revenue, in the same period of 2015. The decrease in cost of revenue during the third quarter of 2016 was due to the revenue decrease.

We have had decreases in the sales estimates between the time when raw materials were purchased and the time when the sales performance is realized for certain products. We assess the inventory obsolescence levels on a quarterly basis. As a result, we determined that certain inventory was slow moving or obsolete. Based on the developed estimates, we recognized an inventory obsolescence expense of $0.1 million and $0.4 million for the three months ended September 30, 2016 and 2015, respectively.

Gross profit was $0.3 millionfor each of the three months ended September 30, 2016 and 2015. Our gross profit margin in the third quarter of 2016 was 11.2% compared to 7.2% in the same period 2015. Without the effect of inventory obsolescence, management estimates that our gross profit margin would have been approximately 13.8% in the third quarter of 2016 and 17.0% in the third quarter of 2015. The decrease in gross profit margin was mainly because the Company sold more products with lower gross margin in this period.

Our selling expenses for the three months ended September 30, 2016 was $0.9 million, which accounted for 29.7% of the total revenue in the third quarter of 2016, as compared to $1.0 million for the same period 2015, which accounted for 25.8% of the total revenue in the third quarter of 2015. Despite the decrease in sales, we still need to maintain personnel and continue our sales activities to support the sales and collection of accounts receivable, therefore our selling expenses did not decrease proportionally to our sales.

Our general and administrative expenses for the three months ended September 30, 2016 were $0.3 million as compared to $0.4 million in the three months ended September 30, 2015. General and administrative expenses accounted for 9.4% and 8.6% of our total revenues in the third quarter of 2016 and 2015, respectively.

Our bad debt benefit for the three months ended September 30, 2016 was $0.1 million, compared to bad debt benefit of $3.2 million in the three months ended September 30, 2015. The change was due to our revision of estimate of allowance for doubtful accounts, which resulted in the decrease in aged accounts receivable balance that had not been allowed prior to the third quarter 2015, and therefore incurred the bad debt benefit in that period.

During the third quarter of 2016, the Company reviewed the contracts relating to advances made for purchases of intangible assets with independent laboratories and determined that the advances made by the Company for one formula to one of the independent laboratories were impaired. As a result, the Company recognized an impairment loss for the advances made to this laboratory in the amount of $644,696.

Net Loss for the three months ended September 30, 2016 was $1.7 million, or loss per basic and diluted common share of $0.04, compared to net income of $2.9 million for the three months ended September 30, 2015, or net income per basic and diluted share of $0.07. The change in the net result was mainly due to the decrease in revenues, impairment loss and lower subsidy income in the third quarter of 2016 as compared to the same period of 2015.

Nine Months Results

For the nine months ended September 30, 2016, our sales revenue was $10.3 million, which represented a decrease of $5.5 million, or 35%, from the $15.8 million in the corresponding period of 2015. This decrease was primarily due to several missed provincial tenders back in 2014 due to the fact that our new GMP certificates were not received until November 2014. As a result, we lost related market shares and negatively impacted sales afterwards. To be specific, the original tender practice actually lasted until April 2015 given the necessary process and timing of tender. The sales decrease in the nine months ended September 30, 2016 compared to its corresponding period in 2015 reflected the outcome of that event. In addition, the government's healthcare-price-controls also maintained continuous pressure upon our sales.

Gross profit for the nine months ended September 30, 2016 was $1.5 million, compared to $1.3 million in the same period of 2015. Gross profit margin for the nine months ended September 30, 2016 and 2015 were 14% and 8%, respectively. Without considering the effect of inventory obsolescence, management estimates that our gross profit margin would have been approximately 16% for the nine months ended September 30, 2016 and 20% for the nine months ended September 30, 2015.

Our operating loss for the nine months ended September 30, 2016 was approximately $5.1 million, compared to $8.3 million for the same period of 2015, which represented an improvement of $3.2 million. The decrease in operating loss was primarily due to lower inventory obsolescence and lower bad debt expense in the current period as compared to the corresponding period in the prior year.

Net loss was $5.8 million, or $0.13 per basic and diluted share for the nine months ended September 30, 2016, compared to $9.2 million, or $0.21 per basic and diluted share, for the same period a year ago.

Financial Condition

As of September 30, 2016, the Company had cash and cash equivalents of $3.7 million compared to $6.2 million as of December 31, 2015. Additionally, working capital decreased to $8.0 million in September 30, 2016 from $12.2 million as of December 31, 2015; and the current ratio was 1.6 times as of September 30, 2016, decreased from 2.0 times as of December 31, 2015.

Our accounts receivable balance decreased to $4.0 million as of September 30, 2016 from $5.9 million as of December 31, 2015.

Net cash provided by operating activities was $1.4 million in the nine months ended September 30, 2016 compared to $0.7 million for the nine months ended September 30, 2015.

Conference Call

The Company will hold a conference call at 8:30 am ET on November 15, 2016 to discuss the results of its third quarter of 2016. Listeners may access the call by dialing 1-866-519-4004 or 65-671-350-90 for international callers, Conference ID # 14850461. A replay of the call will be accessible through November 22, 2016 by dialing 1-855-452-5696 or 61-281-990-299 for international callers, Conference ID # 14850461.

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 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 STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Nine Months Ended September 30,	
	2016	**2015**
Cash Flows from Operating Activities:		
Net loss	$ (5,756,607)	$ (9,157,571)
Depreciation and amortization	2,583,066	2,769,761
Bad debt expense	1,005,949	6,045,352
Deferred income taxes	65,044	677,209
Inventory obsolescence reserve	(1,529,912)	460,537
Impairment of long-term assets	1,467,235	-
Changes in assets and liabilities:		
Trade accounts and other receivables	(709,257)	(2,642,445)
Advances to suppliers	(150,606)	(1,746,117)
Inventory	3,157,553	3,314,458
Trade accounts payable	739,551	2,061,895
Accrued taxes payable	(74,080)	16,307
Other payables and accrued expenses	119,085	(18,951)
Advances from customers	432,904	(1,128,459)
Prepaid expenses	71,790	-
Net Cash Provided by Operating Activities	1,421,715	651,976
Cash Flows from Investing Activities:		
Purchases of property and equipment	(86,350)	(310,247)
Bankers acceptances redeemed for cash	-	306,904
Net Cash Used in Investing Activities	(86,350)	(3,343)
Cash Flows from Financing Activities:		
Payments of construction term loan	(1,519,932)	-
Payments of short term debt	(2,279,899)	-
Net Cash Used by Financing Activity	(3,799,831)	-
Effect of Exchange Rate Changes on Cash	(134,255)	(226,914)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,598,721)	421,719
Cash and Cash Equivalents at Beginning of Period	6,248,760	5,319,990
Cash and Cash Equivalents at End of Period	$ 3,650,039	$ 5,741,709
Supplemental Cash Flow Information:		
Cash paid for interest	$ 689,773	$ 905,151
Supplemental Noncash Investing and Financing Activities:		
Accounts payable for purchases of property and equipment	-	137,854
Accounts receivable collected with banker's acceptances	803,655	1,968,818
Inventory purchased with banker's acceptances	781,814	1,400,447
Restricted cash related to letter of credit	1,490,154	-
Advances for intangible assets purchased with banker's acceptances	-	395,445