

CHINA PHARMA HOLDINGS, INC.

Form 10-Q

November 16, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2015

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-34471

CHINA PHARMA HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

75-1564807  
(IRS Employer  
Identification No.)

Second Floor, No. 17, Jinpan Road  
Haikou, Hainan Province, China 570216  
(Address of principal executive offices) (Zip Code)

+86- 898-6681-1730 (China)  
(Issuer's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files). Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 43,579,557 shares of Common Stock, \$.001 par value, were outstanding as of November 11, 2015.

CHINA PHARMA HOLDINGS, INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited condensed consolidated balance sheets, statements of operations and comprehensive income, and statements of cash flows and the related notes thereto, have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by U.S. GAAP for complete financial statements. The financial statements reflect all adjustments, consisting only of normal, recurring adjustments, which are, in the opinion of management, necessary for a fair presentation for the interim periods.

The accompanying financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014.

The results of operations for the nine-month period ended September 30, 2015 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

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

	September 30, 2015	December 31, 2014
<b>ASSETS</b>		
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	39,857,891	54,492,543
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	1,034,058	1,317,221
<b>TOTAL ASSETS</b>	<b>\$112,683,073</b>	<b>\$132,081,828</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
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	16,126,048	14,171,838
Non-current Liabilities:		
Construction loan facility	9,443,167	11,403,438
Long-term deferred tax liability	300,010	252,707
Total Liabilities	25,869,225	25,827,983
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

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Accumulated other comprehensive income	16,569,191	19,771,160
Total Stockholders' Equity	86,813,848	106,253,845
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$112,683,073	\$132,081,828

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue	\$4,479,113	\$5,566,543	\$15,848,218	\$18,802,602
Cost of revenue	3,720,447	4,057,480	12,667,104	12,215,756
Inventory obsolescence	436,666	-	1,855,814	-
Gross profit	322,000	1,509,063	1,325,300	6,586,846
Operating expenses:				
Selling expenses	1,155,137	745,976	3,156,553	2,193,823
General and administrative expenses	384,412	422,729	1,315,867	1,229,488
Research and development expenses	405,438	181,796	741,116	2,528,230
Bad debt expense	3,919,595	3,940,144	13,125,809	15,280,588
Losses from natural disaster	-	2,275,593	-	2,275,593
Total operating expenses	5,864,582	7,566,238	18,339,345	23,507,722
Subsidy income	1,655,683	65,086	1,655,683	65,086
Loss from operations	(3,886,899)	(5,992,089)	(15,358,362)	(16,855,790)
Other income (expense):				
Interest income	36,185	8,824	93,262	47,435
Interest expense	(279,113 )	(325,244 )	(915,310 )	(495,054 )
Net other expense	(242,928 )	(316,420 )	(822,048 )	(447,619 )
Loss before income taxes	(4,129,827)	(6,308,509)	(16,180,410)	(17,303,409)
Income tax expense	(18,906 )	(19,215 )	(57,618 )	(57,758 )
Net loss	(4,148,733)	(6,327,724)	(16,238,028)	(17,361,167)
Other comprehensive income (loss) - foreign currency translation adjustment	(4,037,382)	33,366	(3,201,969 )	(927,954 )
Comprehensive loss	\$(8,186,115)	\$(6,294,358)	\$(19,439,997)	\$(18,289,121)
Loss per share:				
Basic	\$(0.10 )	\$(0.15 )	\$(0.37 )	\$(0.40 )
Diluted	\$(0.10 )	\$(0.15 )	\$(0.37 )	\$(0.40 )

The accompanying notes are an integral part of these condensed consolidated financial statements.



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

	For the Nine Months Ended September 30,	
	2015	2014
Cash Flows from Operating Activities:		
Net loss	\$(16,238,028)	\$(17,361,167)
Depreciation and amortization	2,769,761	1,014,221
Bad debt expense	13,125,809	15,280,588
Inventory obsolescence reserve	677,209	-
Deferred income taxes	460,537	57,758
Changes in assets and liabilities:		
Trade accounts and other receivables	(2,642,445 )	(3,371,398 )
Advances to suppliers	(1,746,117 )	(1,468,882 )
Inventory	3,314,458	7,671,072
Trade accounts payable	2,061,895	1,338,724
Accrued taxes payable	16,307	(34,638 )
Other payables and accrued expenses	(18,951 )	(90,108 )
Advances from customers	(1,128,459 )	(439,740 )
Net Cash Provided by Operating Activities	651,976	2,596,430
Cash Flows from Investing Activities:		
Purchases of property and equipment and construction in process	-	-
	(310,247 )	(4,638,265 )
Advances for purchases of intangible assets	-	(244,073 )
Bankers acceptances redeemed for cash	306,904	-
Net Cash Used in Investing Activities	(3,343 )	(4,882,338 )
Cash Flows from Financing Activity:		
Proceeds from construction term loan	-	604,756
Net Cash Provided by Financing Activity	-	604,756