



China Pharma Holdings, Inc.

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China Pharma Holdings, Inc. Reports Second Quarter Financial Results

HAIKOU CITY, China, August 12, 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 June 30, 2016.

Second Quarter Highlights

- Revenue was \$3.5 million in the second quarter of 2016, which represented a decrease of 37.6% compared to \$5.7 million in the same period of 2015;
- Gross margin was 13.6% in the second quarter of 2016, compared to (0.98%) in the same period of 2015;
- Loss from operations was \$2.2 million in the second quarter of 2016 compared to income from operations of \$1.4 million in the same period of 2015, a decrease of \$3.7 million;
- Net loss was \$2.5 million in the second quarter of 2016 compared to net income of \$1.1 million in the same period of 2015. Loss per common share was \$(0.06) per basic and diluted share in the second quarter of 2016 compared with income per common share of \$0.03 per basic and diluted share in the same period of 2015.
- As of June 30, 2016, the Company had cash and cash equivalents of \$6.3 million compared to \$6.2 million as of December 31, 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, and further negatively impacted the sales performance of our company during the second quarter of 2016.” 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 in our industry. However, we still believe that our current operations and financial position will allow us to secure the foundation for steady business growth in the future.”

Second Quarter 2016 Results

Revenue decreased by 37.6% to \$3.5 million for the three months ended June 30, 2016, as compared to \$5.7 million for the three months ended June 30, 2015. This decrease was primarily caused by several missed provincial tenders back in 2014 due to the fact that our new GMP certificates were not received until November 2014 which negatively impacted sales afterwards. To be specific, the original tender practice actually lasted until April 2015 given the necessary process and timing of tender and therefore did not show full negative impact on the sales in the second quarter of 2015. Therefore, the sales decrease in the second quarter of 2016 compared to its corresponding period in 2015 reflected the outcome of that event. In addition, the government’s healthcare-cost-controls posed continuous pressure upon our sales.

For the three months ended June 30, 2016, our cost of revenue was \$2.9 million, or 81.0% of total revenue, which represented a decrease of \$1.6 million from \$4.5 million, or 79.5% of total revenue, in the same period of 2015. The decrease in cost of revenue during the second quarter of 2016 was due to the revenue decrease. The gross profit margin stayed close for the three months ended June 30, 2016 and 2015.

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 \$0.2 million and \$1.2 million for the three months ended June 30, 2016 and 2015, respectively.

Gross profit for the three months ended June 30, 2016 was \$0.5 million, compared to gross loss of \$0.6 million in the same period 2015. Our gross profit margin in second quarter 2016 was 13.6% compared to (1.0%) in the same period 2015. Without the effect of inventory obsolescence, management estimates that our gross profit would have been approximately 19.0% in the second quarter of 2016 and 20.5% in the second quarter of 2015.



Our selling expenses for the three months ended June 30, 2016 was \$0.9 million, which accounted for 24.2% of the total revenue in the second quarter of 2016, compared to \$1.0 million or 17.8% of the total revenue in second quarter 2015. Due to many adjustments in our selling processes under healthcare reform policies, 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.

Our general and administrative expenses for the three months ended June 30, 2016 were \$0.8 million, compared to \$0.6 million in the three months ended June 30, 2015. General and administrative expenses accounted for 22.1% and 8.1% of our total revenues in second quarter 2016 and 2015, respectively. The increase in general and administrative expenses in this quarter was mainly due to the property tax incurred for our new GMP building since the first quarter of 2016, as well as the increased professional service expenses in the second quarter of 2016 compared to the same period last year.

Our bad debt expense for the three months ended June 30, 2016 was \$0.5 million, compared to bad debt benefit of \$3.1 million in the three months ended June 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 second quarter 2015, and therefore incurred the bad debt benefit in that period.

During the second quarter of 2016, the Company reviewed the contracts relating to advances made for purchases of intangible assets with independent laboratories and determined that two advance payments made by the Company for two formulas to two independent laboratories were impaired. As a result, the Company recognized an impairment loss for the advance payments made to these laboratories in the amount of \$822,539.

Net Loss for the three months ended June 30, 2016 was \$2.5 million, or loss per basic and diluted common share of \$0.06, compared to net income of \$1.1 million for the three months ended June 30, 2015, or net income per basic and diluted share of \$0.03. The change in our net income performance was mainly due to the bad debt expenses difference and decrease in revenues in the second quarter of 2016 compared to the same period of 2015.

Six Months Results

Revenue for the six months ended June 30, 2016 was \$7.2 million, down 36.8% from revenue of \$11.4 million for the six months ended June 30, 2015.

Gross profit for the six months ended June 30, 2016 was \$1.1 million, compared to \$1.0 million in the same period of 2015. Gross profit margin for the six months ended June 30, 2016 and 2015 were 15.6% and 8.8%, respectively. Without considering the effect of inventory obsolescence, management estimates



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that our gross profit margin would have been approximately 17.3% and 21.3% for the six months ended June 30, 2016 and 2015 respectively.

Operating loss was \$3.5 million for the six months ended June 30, 2016, compared to \$6.2 million for the same period of 2015.

Net loss was \$4.0 million, or \$0.09 per basic and diluted share for the six months ended June 30, 2016, compared to \$6.8 million, or \$0.16 per basic and diluted share, for the same period a year ago

Financial Condition

As of June 30, 2016, the Company had cash and cash equivalents of \$6.3 million compared to \$6.2 million as of December 31, 2015. Year-over-year, working capital decreased to \$9.7 million in June 30, 2016 from \$12.2 million as of December 31, 2015; and the current ratio was 1.7 times as of June 30, 2016, decreased from 2.0 times as of December 31, 2015.

Our accounts receivable balance decreased to \$4.3 million as of June 30, 2016 from \$5.9 million as of December 31, 2015.

Net cash provided by operating activities was \$0.6 million in the six months ended June 30, 2016 compared to (\$0.5 million) for the six months ended June 30, 2015. This is mainly due to lower net loss and the outcome of the changes in our sales strategy: we enhanced the control of sales on credit, therefore improved the collection of accounts receivable and advances from customers; those efforts were partially offset by the increase in bad debt expenses in this period.

Conference Call

The Company will hold a conference call at 8:30 am ET on August 12, 2016 to discuss the results of its second quarter of 2016. Listeners may access the call by dialing 1-866-519-4004 or 65-671-350-90 for international callers, Conference ID # 54240245. A replay of the call will be accessible through August 20, 2016 by dialing 1-855-452-5696 or 61-281-990-299 for international callers, Conference ID # 54240245.

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 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.

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

	For the Six Months	
	Ended June 30,	
	2016	2015
Cash Flows from Operating Activities:		
Net loss	\$ (4,006,698)	\$ (6,846,621)
Depreciation and amortization	1,728,273	1,884,749
Bad debt (benefit) expense	1,075,848	3,963,540
Deferred income taxes	44,244	38,712
Inventory obsolescence reserve	(1,621,255)	231,326
Impairment of long-term assets	822,539	-
Changes in assets and liabilities:		
Trade accounts and other receivables	(534,417)	(2,437,248)
Advances to suppliers	(294,753)	(494,834)
Inventory	2,767,597	2,508,519
Trade accounts payable	105,290	1,231,153
Accrued taxes payable	(41,984)	81,600
Other payables and accrued expenses	(22,833)	23,927
Advances from customers	244,323	(1,048,730)
Prepaid expenses	288,705	348,196
Net Cash Provided by Operating Activities	554,879	(515,711)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(66,213)	(264,869)
Net Cash Used in Investing Activities	(66,213)	(264,869)
Cash Flows from Financing Activities:		
Payments of construction term loan	(306,028)	-
Net Cash Provided by Financing Activity	(306,028)	-
Effect of Exchange Rate Changes on Cash	(146,159)	9,790
Net (Decrease) Increase in Cash and Cash Equivalents	36,479	(770,790)
Cash and Cash Equivalents at Beginning of Period	6,248,760	5,319,990
Cash and Cash Equivalents at End of Period	\$ 6,285,239	\$ 4,549,200
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 486,192	\$ 629,424
Supplemental Noncash Investing and Financing Activities:		
Accounts payable for purchases of property and equipment	-	108,224
Accounts receivable collected with banker's acceptances	643,457	952,353
Inventory purchased with banker's acceptances	635,806	924,000
Restricted cash related to letter of credit	1,274,293	-
Advances for intangible assets purchased with banker's acceptances	-	398,937