



**China Pharma Holdings, Inc.**

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## **China Pharma Holdings, Inc. Reports Full Year 2015 Financial Results**

HAIKOU CITY, China, March 31, 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 year ended December 31, 2015.

### **Full Year Highlights**

- Revenue decreased 8.1% to \$20.4 million in fiscal year 2015 from \$22.1 million in fiscal year 2014;
- Gross margin was 7.2% in fiscal year 2015, compared to 12.1% in fiscal 2014. Without the effect of inventory obsolescence, management estimates that our gross profit would have been approximately 22.5% in fiscal year 2015 and 22.2% in fiscal year 2014;
- Loss from operations was \$14.3 million in fiscal year 2015 compared to \$38.8 million in 2014, a decrease of \$24.5 million;
- Net loss was \$15.4 million in fiscal year 2015 compared to \$39.6 million in 2014. Loss per common share was \$(0.35) per basic and diluted share in fiscal 2015 compared with \$(0.91) per basic and diluted share in fiscal year 2014.

“China’s healthcare reform was deepened in 2015. Under the industrial reform and modification background guided by the government policies, we actively completed the new GMP upgrading for the majority of our current production facility, and aggressively promoted our sales to regain our original market shares. Due to the fact that we only received new GMP certificate for the injectable production lines at our new manufacturing facility in November 2014, we missed drug biddings in several provinces prior to November 2014. Those missed biddings negatively impacted our market shares previously secured in those provinces, and dragged our sales in 2015.” said Ms. Zhilin Li, China Pharma’s Chairman and CEO. Ms Li continued, “ Nevertheless, we continued concentrating on enhancing our fundamentals. In January and December 2015, we completed the upgrading and received new GMP certificates for the tablet and capsule production lines, and cephalosporin production lines at our old factories, respectively. The upgrading of these oral solution production lines was completed before the deadline, which



positioned us to better meet market demand. Although there was no immediate reversal of sales trends in 2015 due to the special characteristics of the pharmaceutical industry, we strongly believe that our current operations and financial position will allow us to secure the foundation for steady business growth in the future.”

## **Full Year Results**

Revenues for the year ended December 31, 2015 were \$20.4 million, a decrease of 8.1% from revenues of \$22.1 million for the year ended December 31, 2014. This decrease was primarily due to the missed biddings in certain provinces back in 2014 despite our efforts in promoting sales to regain our market shares during 2015.

We 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 assessed the fair value of our raw material and determined that certain inventory was slow moving or obsolete. Based on the developed estimates as of December 31, 2015 and 2014, we recognized an additional inventory obsolescence expense of \$3.1 million and \$2.3 million for the years ended December 31, 2015 and 2014, respectively.

Gross profit for the year ended December 31, 2015 was \$1.5 million, compared to \$2.7 million in 2014. Our gross profit margin in 2015 was 7.2% compared to 12.1% in 2014. Without the effect of inventory obsolescence, management estimates that our gross profit would have been approximately 22.5% in 2015 and 22.2% in 2014.

Selling, general and administrative expenses in 2015 were \$6.2 million, or 30.4% of sales, compared to \$5.1 million, or 22.9% of sales, in 2014. The increase was mainly due to additional marketing, consulting and product promotional efforts in certain PRC provinces. For the year ended December 31, 2015, the Company’s research and development expense was \$1.0 million, compared to \$2.8 million in 2014. The change in research and development expenses was mainly due to the costs related to testing of the new production lines in 2014. As a result, the expenses related to such activities were higher in 2014.

For the year ended December 31, 2015, the Company’s bad debt expense was \$10.1 million, compared to a bad debt expense of \$31.4 million in 2014. In the restatement of the annual report for the year ended December 31, 2014 (the “2014 Restatement”), we reviewed our policy for bad debt allowance for accounts receivable and therefore significantly increased the bad debt expense in 2014. During 2015, we also recognized bad debt expense of \$4.2 million related to advances to suppliers based on an evaluation of the realizability of the payment.

Operating loss was \$14.3 million in 2015 compared to operating loss of \$38.8 million in 2014. The main reason for the decrease in loss was lower bad debt expenses in 2015.



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For the years ended December 31, 2015 and 2014, our income tax rate was 15%. Income tax expenses were \$0.06 million and \$0.08 million for the years ended December 31, 2015 and 2014, respectively. We renewed our "National High-Tech Enterprise" status from the PRC government in the third quarter of 2013. With this designation, for the years ending December 31, 2014, 2015 and 2016, we enjoy a preferential tax rate of 15% which is notably lower than the statutory income tax rate of 25%.

Net loss for the year 2015 was \$15.4 million, or \$(0.35) per basic and diluted share, compared to net loss of \$39.6 million, or \$(0.91) per basic and diluted share for the year 2014. The decrease in net loss was mainly due to the decrease in bad debt expense.

### Financial Condition

As of December 31, 2015, the Company had cash and cash equivalents of \$6.2 million compared to \$5.3 million as of December 31, 2014. Year-over-year, working capital decreased to \$12.2 million in 2015 from \$27.7 million in 2014 and the current ratio was 2.0 times in 2015, decreased from 3.0 times in 2014.

Our accounts receivable balance decreased to \$5.9 million as of December 31, 2015 from \$13.9 million as of December 31, 2014. The decrease was mainly due to bad debt expense of \$7.4 million in 2015. Our gross receivables and allowance reserve decreased due to the bad debt write-off of \$21.3 million in 2015.

For the year ended December 31, 2015, cash flow from operating activities was \$3.4 million, as compared to \$6.2 million in 2014.

### Pipeline Update

In order to support our existing products package under the unfavorable economic environment, we have remained focused on pipeline development. We have experienced delays in obtaining approval for the products in our pipeline due to revisions and enhancements in the approval criteria and processes issued by China Food and Drug Administration (the "CFDA") which result in additional supplemental materials and trials, higher cost, and longer approval time for certain applications. In March 2016, the PRC State Council issued the "*Opinions on Carrying out Consistency Evaluation on Quality and Efficacy of Generic Drugs*" which requires all chemical generic pipeline products to carry out Consistency Evaluation before final registration approval and therefore further prolongs the registration process for our pipeline products.

As of December 31, 2015, China Pharma had various pipeline drugs in different stages of active development. Some of these are highlighted below:

- Antibiotic Combination - We are currently in Phase II of the clinical trial, due to the higher regulatory requests for clinical works.



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- Rosuvastatin - Rosuvastatin is a generic form of Crestor, a drug for the treatment of high blood cholesterol levels. Clinical trials for this generic drug were completed in the fourth quarter of 2010, and are supplementing Consistency Evaluation pursuant to the Opinions.
- Heart Disease Drug - We developed an oral solution for the treatment of coronary heart disease in our new product pipeline. This product comes with a patented Traditional Chinese Medicine (TCM) formula. We have completed Phase III clinical trials and are currently collecting and summarizing trial data.
- Alzheimer's disease drug - We developed a drug for the treatment of Alzheimer's disease and are supplementing Consistency Evaluation pursuant to the Opinions.
- Digestive Diseases drug - We developed two drugs for the treatment of digestive diseases and has applied to CFDA for Production Approval, currently waiting for CFDA Technical Review.
- Antibiotic for Kids - We developed an oral solution antibiotic for the kids and are supplementing Consistency Evaluation pursuant to the Opinions.

### **Conference Call**

The Company will hold a conference call at 8:30 am ET on March 31, 2016 to discuss the results of fiscal year 2015. Listeners may access the call by dialing 1-866-519-4004 or 65-671-350-90 for international callers, Conference ID # 74383247. A replay of the call will be accessible through April 7, 2016 by dialing 1-855-452-5696 or 61-281-990-299 for international callers, Conference ID # 74383247.

### **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 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



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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.**  
**CONSOLIDATED BALANCE SHEETS**

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 6,248,760	\$ 5,295,790
Banker's acceptances	-	458,233
Trade accounts receivable, less allowance for doubtful accounts of \$28,644,398 and \$44,347,451, respectively	5,882,509	13,853,744
Other receivables, less allowance for doubtful accounts of \$74,400 and \$43,064, respectively	290,739	272,199
Advances to suppliers	2,533,354	6,307,190
Inventory, less allowance for obsolescence of \$8,417,095 and \$6,934,044, respectively	9,662,750	15,321,856
Prepaid expenses	339,140	404,370
<b>Total Current Assets</b>	<u>24,957,252</u>	<u>41,913,382</u>
<b>Advances for purchases of intangible assets</b>	42,030,649	43,972,005
<b>Property and equipment</b> , net of accumulated depreciation of \$9,442,912 and \$6,640,718, respectively	29,393,257	33,881,878
<b>Intangible assets</b> , net of accumulated amortization of \$4,360,004 and \$4,182,273, respectively	<u>841,075</u>	<u>1,317,221</u>
<b>TOTAL ASSETS</b>	<u>\$ 97,222,233</u>	<u>\$ 121,084,486</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	\$ 2,824,521	\$ 2,550,816
Accrued expenses	143,409	269,870
Other payables	1,710,283	1,401,470
Advances from customers	595,681	2,078,866
Other payables - related parties	1,354,567	1,354,567
Current portion of construction loan facility	1,540,666	1,629,062
Short-term notes payable	4,621,998	4,887,187
<b>Total Current Liabilities</b>	<u>12,791,125</u>	<u>14,171,838</u>
<b>Non-current Liabilities:</b>		
Construction loan facility	10,784,661	11,403,438
Deferred revenue	708,408	2,516,383
Long-term deferred tax liability	296,890	252,707
<b>Total Liabilities</b>	<u>24,581,084</u>	<u>28,344,366</u>
<b>Stockholders' Equity:</b>		
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	33,939,998	49,345,516
Accumulated other comprehensive income	15,067,367	19,760,820
<b>Total Stockholders' Equity</b>	<u>72,641,149</u>	<u>92,740,120</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 97,222,233</u>	<u>\$ 121,084,486</u>