



China Pharma Holdings, Inc. Reports Fiscal Year 2017 Financial Results

HAIKOU CITY, China, April 3, 2018 - China Pharma Holdings, Inc. (NYSE MKT: CPHI) (“China Pharma,” the “Company” or “We”), an NYSE American listed corporation with a fully-integrated specialty pharmaceuticals subsidiary based in China, today announced financial results for the fiscal year ended December 31, 2017.

Full Year Highlights

- Revenue decreased 15.1% to \$13.2 million in fiscal year 2017 from \$15.6 million in fiscal year 2016;
- Gross margin was 18.7% in fiscal year 2017, compared to 20.7% in fiscal 2016.
- Impairment loss was \$14.2 million in fiscal year 2017 compared to \$4.0 million in 2016, which represented an increase of \$10.2 million;
- Loss from operations was \$18.7 million in fiscal year 2017 compared to \$8.2 million in 2016, which represented an increase of \$10.5 million;
- Net loss was \$19.3 million in fiscal year 2017 compared to \$9.2 million in 2016. Loss per common share was \$(0.44) per basic and diluted share in fiscal 2017 compared with \$(0.21) per basic and diluted share in fiscal year 2016.

“We tried to increase sales in 2017 but the speed of our sales recovery was not as fast as we expected. Nevertheless, increasing sales remains our top priority. Management will continue to vigorously promote sales through active participation in recent provincial market openings to receive new drug tender offers and through further research of the basic medical market.” said Ms.



Zhilin Li, China Pharma's Chairman and CEO. Ms. Li continued, "The ongoing generic drug consistency evaluations and reform of China's drug production registration and review policies will have a major impact on the future development of our industry and may change its business patterns. Under the requirements of the consistency evaluation policy, the company actively evaluated the technical difficulty, investment demand, time requirement, and investment return rate of all applicable marketed products and pipeline products, and recognized a significant impairment loss related to our intangible assets in 2017. We will continue to actively adapt to state policy guidance and further evaluate market conditions for our current existing products, pipeline products, and competition in the market in order to optimize our development strategy."

Full Year Results

Revenue decreased by 15.2% to \$13.2 million for the year ended December 31, 2017, as compared to \$15.6 million for the year ended December 31, 2016. This decrease was mainly due to the negative impact around Health-care insurance cost-control as well as policies for reducing the proportion of drug cost to total health-care spending.

Gross profit for the year ended December 31, 2017 was \$2.5 million, compared to \$3.2 million in 2016. Our gross profit margin in 2017 was 18.7% compared to 20.7% in 2016. This decline in our gross profit margin was mainly due to that our raw material prices have generally increased in recent quarters along with the improvement of industry standards and the strengthening of environmental protection requirements. In addition, adverse drug pricing control policies have negatively impacted our gross margins.

Our selling expenses for the year ended December 31, 2017 were \$3.5 million, a decrease of \$0.5 million compared to \$4.0 million for the year ended December 31, 2016. Selling expenses accounted for 26.2% of the total revenue in 2017 compared to 25.9% in 2016. The increase was mainly the result of additional marketing, consulting and product promotional efforts in certain Chinese provinces. Because of adjustments in our sales practices resulting from healthcare reform policies, despite the overall decrease in sales, we require additional personnel and expenses to support our sales and the collection of accounts receivable.

Our general and administrative expenses for the year ended December 31, 2017 were \$2.0 million, which represented an increase of \$0.3 million compared to \$2.3 million in 2016. General



and administrative expenses accounted for 15.3% and 14.6% of our total revenues in 2017 and 2016, respectively.

Our bad debt expenses for the year ended December 31, 2017 was \$1.4 million, which represented an increase of \$0.3 million compared to \$1.1 million in 2016. The increase in our bad debt expenses was mainly due to the change in the composition of aging of accounts receivables for the years ended December 31, 2017 compared to December 31, 2016.

Our impairments for the year ended December 31, 2017 were \$14.2 million, compared to \$4.0 million in 2016. It was mainly because of that as a pharmaceutical company, we have been focusing on the development and maintenance of our intangible assets, mainly in the form of medical formulas. Because of recently implemented government policies such as consistency evaluations, our management made certain assessments regarding the impairment of our intangible assets as of December 31, 2017 and December 31, 2016 respectively, and identified six and five formulas that would likely be unable to generate positive cash flow in the foreseeable future and therefore recognized impairment loss on them accordingly.

Net loss for year ended December 31, 2017 was \$19.3 million, compared to net loss of \$9.2 million for the year ended December 31, 2016. The decrease in net loss was mainly a result of the increase in impairment loss and bad debt expenses.

Financial Condition

As of December 31, 2017, the Company had cash and cash equivalents of \$2.0 million compared to \$2.7 million as of December 31, 2016. Working capital decreased to \$3.1 million as of September 30, 2017 from \$7.1 million as of December 31, 2016; and the current ratio was 1.3 and 1.7 times at December 31, 2017 and December 31, 2016, respectively.

As of December 31, 2017, our net accounts receivable was \$2.3 million, compared to \$4.0 million as of December 31, 2016.

For the year ended December 31, 2017, cash flow from operating activities was \$0.8 million, as compared to \$2.9 million in 2016.



Conference Call

The Company will hold a conference call at 8:30 am E.T. on April 3, 2018 to discuss the results of full year 2017. Listeners may access the call by dialing 1-866-519-4004 or 65-671-350-90 for international callers, Conference ID # 1264719. A replay of the call will be accessible through April 11, 2018 by dialing 1-855-452-5696 or 61-281-990-299 for international callers, Conference ID # 1264719.

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 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



China Pharma Holdings, Inc.

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

	December 31, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,030,214	\$ 2,665,802
Restricted cash	709,796	1,088,879
Banker's acceptances	39,867	-
Trade accounts receivable, less allowance for doubtful accounts of \$18,209,734 and \$15,664,496, respectively	2,293,120	3,999,809
Other receivables, less allowance for doubtful accounts of \$40,010 and \$71,548, respectively	162,981	224,373
Advances to suppliers	461,307	2,003,792
Inventory	6,407,155	7,310,939
Prepaid expenses	185,647	226,357
Total Current Assets	12,290,087	17,519,951
Advances for purchases of intangible assets	23,722,954	35,498,059
Property and equipment, net	23,541,003	24,967,448
Intangible assets, net	398,856	534,682
TOTAL ASSETS	\$ 59,952,900	\$ 78,520,140
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 1,141,138	\$ 3,060,374
Accrued expenses	276,368	139,830
Other payables	2,858,701	2,502,694
Advances from customers	581,132	811,232
Other payables - related parties	1,354,567	1,354,567
Current portion of construction loan facility	2,305,430	1,440,154
Bankers' acceptance notes payable	709,796	1,088,879
Total Current Liabilities	9,227,132	10,397,730
Non-current Liabilities:		
Construction loan facility	6,916,291	8,640,927
Deferred tax liability	738,175	572,349
Total Liabilities	16,881,598	19,611,006
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	5,479,809	24,757,374
Accumulated other comprehensive income	13,957,709	10,517,976
Total Stockholders' Equity	43,071,302	58,909,134
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 59,952,900	\$ 78,520,140

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

	For the Year	
	Ended December 31,	
	2017	2016
Revenue	\$ 13,212,314	\$ 15,570,514
Cost of revenue	10,743,764	12,352,004
Gross profit	<u>2,468,550</u>	<u>3,218,510</u>
Operating expenses:		
Selling expenses	3,460,596	4,036,590
General and administrative expenses	2,019,949	2,265,851
Research and development expenses	90,474	365,969
Bad debt expense	1,393,576	1,086,449
Impairment loss	14,183,969	3,962,141
Total operating expenses	<u>21,148,564</u>	<u>11,717,000</u>
Subsidy income	-	343,023
Loss from operations	<u>(18,680,014)</u>	<u>(8,155,467)</u>
Other income (expense):		
Interest income	64,414	130,575
Interest expense	(539,334)	(849,557)
Net other expense	<u>(474,920)</u>	<u>(718,982)</u>
Loss before income taxes	(19,154,934)	(8,874,449)
Income tax expense	▲ (122,631)	(308,175)
Net loss	<u>(19,277,565)</u>	<u>(9,182,624)</u>
Other comprehensive income - foreign currency translation adjustment	3,439,733	(4,549,391)
Comprehensive loss	<u>\$ (15,837,832)</u>	<u>\$ (13,732,015)</u>
Loss per share:		
Basic and diluted	<u>\$ (0.44)</u>	<u>\$ (0.21)</u>
Weighted average shares outstanding	<u>43,579,557</u>	<u>43,579,557</u>

CHINA PHARMA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year	
	Ended December 31,	
	2017	2016
Cash Flows from Operating Activities:		
Net loss	\$ (19,277,565)	\$ (9,182,624)
Depreciation and amortization	3,291,330	3,078,074
Inventory Write off	118,003	
Bad debt expense	1,393,576	1,086,449
Deferred income taxes	122,631	308,175
Impairment of intangible assets	14,183,969	3,962,141
Changes in assets and liabilities:		
Trade accounts and other receivables	51,024	(1,097,556)
Advances to suppliers	1,614,958	380,779
Inventory	1,718,336	2,734,612
Trade accounts payable	(2,045,948)	815,198
Accrued taxes payable	18,753	72,107
Other payables and accrued expenses	420,523	377,663
Advances from customers	(274,068)	265,928
Prepaid expenses	(494,306)	94,762
Net Cash Provided by Operating Activities	841,216	2,895,708
Cash Flows from Investing Activities:		
Purchases of property and equipment	(136,479)	(193,404)
Net Cash Used in Investing Activities	(136,479)	(193,404)
Cash Flows from Financing Activities:		
Payments of construction term loan	(1,479,944)	(1,505,346)
Payments of short term notes payable	-	(4,516,039)
Net Cash Provided by Financing Activity	(1,479,944)	(6,021,385)
Effect of Exchange Rate Changes on Cash	139,619	(263,877)
Net (Decrease) Increase in Cash and Cash Equivalents	(635,588)	(3,582,958)
Cash and Cash Equivalents at Beginning of Period	2,665,802	6,248,760
Cash and Cash Equivalents at End of Period	\$ 2,030,214	\$ 2,665,802
Supplemental Cash Flow Information:		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 525,788	\$ 836,011
Supplemental Noncash Investing and Financing Activities:		
Issuance of banker's acceptances	\$ 709,796	\$ 1,088,879
Accounts receivable collected with banker's acceptances	531,294	935,265
Inventory purchased with banker's acceptances	492,906	935,265