



China Pharma Holdings, Inc. Reports Second Quarter 2017 Financial Results

HAIKOU CITY, China, Aug. 15, 2017 - 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 quarter ended June 30, 2017.

Second Quarter Highlights

- Revenue decreased 17.7% to \$2.9 million in second quarter 2017 from \$3.5 million in the same period of 2016;
- Gross profit margin was 22.2% in second quarter 2017, compared to 13.6% in the same period of 2016.
- Loss from operations was \$2.1 million in second quarter 2017 compared to \$2.2 million in the same period of 2016, a decrease of \$0.1 million in loss;
- Net loss was \$2.3 million in second quarter 2017 compared to \$2.5 million in the same period of 2016. Loss per common share was \$(0.05) per basic and diluted share in second quarter 2017 compared with \$(0.06) per basic and diluted share in the same period of 2016.

“We experienced a slight revenue decrease in the second quarter of 2017 compared to the same period last year, which was primarily due to the current status of Chinese health care reform.



Recent reforms require health care institutions to strictly control ‘the proportion of drug sales to total revenue’, in an effort to prevent hospitals from subsidizing medical services with inflated prescription drug prices. This background led to a significant decrease of drug purchases from health care institutions and impacted our drug sales in this period,” said Ms. Zhilin Li, China Pharma’s Chairman and CEO. Ms. Li continued, “Nevertheless, increasing sales remains our top priority. Management will continue to vigorously promote sales by actively participating in the recent provincial market openings to receive new drug tender offers and by further exploring the basic medical market. 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. 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.”

Second Quarter Results

Revenue decreased by 17.7% to \$2.9 million for the three months ended June 30, 2017, as compared to \$3.5 million for the three months ended June 30, 2016. This decrease was mainly due to the impact from the ongoing Chinese health care reform.

Gross profit for the three months ended June 30, 2017 was \$0.6 million, compared to \$0.5 million in the same period last year. Our gross profit margin in the three months ended June 30, 2017 was 22.2% compared to 13.6% in the same period last year. This increase was primarily due to more sales of higher margin products in this period compared to the sales performance in the same period last year.

Our selling expenses for the three months ended June 30, 2017 were \$0.8 million, a decrease of \$0.1 million, compared to \$0.9 million for the three months ended June 30, 2016. Selling expenses accounted for 27.5% of the total revenue in the three months ended June 30, 2017 compared to 24.2% in the same period last year. Because of adjustments in our sales practices resulting from health-care reform policies, despite the overall decrease in sales, we may require additional personnel and expenses to support our sales and the collection of accounts receivable.



Our general and administrative expenses for the three months ended June 30, 2017 were \$0.6 million, which represented a decrease of \$0.2 million compared to \$0.8 million in the same period last year. General and administrative expenses accounted for 21% and 22% of our total revenues in three months ended June 30, 2017 and 2016, respectively.

Our bad debt expenses for the three months ended June 30, 2017 was \$0.4 million, compared to \$0.5 million in the same period last year.

During the three months ended June 30, 2017 and 2016 the Company recognized an impairment related to “Advances for purchases of intangible assets” in the amount of \$1.0 million and \$0.8 million, respectively. The Company reviewed the contracts relating to advances made for purchases of intangible assets with independent laboratories and determined that the Company’s advances to independent laboratories for several formulas were impaired.

Net loss for the three months ended June 30, 2017 was \$2.3 million, compared to net loss of \$2.5 million for the three months ended June 30, 2016.

Six Months Results

For the six months ended June 30, 2017, our sales revenue was \$6.2 million, which represented a decrease of \$1.0 million, or 13.7%, from the \$7.2 million in the corresponding period of 2016.

Gross profit for the six months ended June 30, 2017 was \$1.4 million, compared to \$1.1 million in the same period of 2016. Gross profit margin for the six months ended June 30, 2017 and 2016 were 22.0% and 15.6%, respectively. The increase in gross profit margin was mainly due to more higher-margin products sold in this period.

Our operating loss for the six months ended June 30, 2017 was approximately \$2.9 million, compared to \$3.5 million for the same period of 2016, which represented an improvement of \$0.6 million. This was mainly due to the increase in gross profit margin and decrease in bad debt expense in the first half of 2017 compared to the same period last year.



Net loss was \$3.3 million, or \$0.07 per basic and diluted share for the six months ended June 30, 2017, compared to \$4.0 million, or \$0.09 per basic and diluted share, for the same period a year ago.

Financial Condition

As of June 30, 2017, the Company had cash and cash equivalents of \$1.7 million compared to \$2.7 million as of December 31, 2016. Working capital decreased to \$6.7 million as of June 30, 2017 from \$7.1 million as of December 31, 2016; and the current ratio was 1.6 and 1.7 times at June 30, 2017 and December 31, 2016, respectively.

Our net accounts receivable balance decreased to \$3.2 million as of June 30, 2017 from \$4.0 million as of December 31, 2016.

Conference Call

The Company will hold a conference call at 8:30 am E.T. on August 15, 2017 to discuss the results of second quarter 2017. Listeners may access the call by dialing 1-866-519-4004 or 65-671-350-90 for international callers, Conference ID # 66755768. A replay of the call will be accessible through August 23, 2017 by dialing 1-855-452-5696 or 61-281-990-299 for international callers, Conference ID # 66755768.

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 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 BALANCE SHEETS

	June 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,745,566	\$ 2,665,802
Restricted cash	2,568,895	1,088,879
Bankers acceptance notes	16,692	-
Trade accounts receivable, less allowance for doubtful accounts of \$16,805,221 and \$15,664,496, respectively	3,152,815	3,999,809
Other receivables, less allowance for doubtful accounts of \$60,627 and \$71,548, respectively	217,527	224,373
Advances to suppliers	2,063,172	2,003,792
Inventory	7,258,973	7,310,939
Prepaid expenses	185,543	226,357
Total Current Assets	17,209,183	17,519,951
Advances for purchases of intangible assets	35,381,708	35,498,059
Property, plant and equipment, net	24,080,326	24,967,448
Intangible assets, net	453,376	534,682
TOTAL ASSETS	\$ 77,124,593	\$ 78,520,140
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 2,149,331	\$ 3,060,374
Accrued expenses	129,516	139,830
Other payables	2,294,358	2,502,694
Advances from customers	655,350	811,232
Other payables - related parties	1,354,567	1,354,567
Current portion of construction loan facility	1,328,043	1,440,154
Banker's acceptance notes payable	2,568,895	1,088,879
Total Current Liabilities	10,480,060	10,397,730
Non-current Liabilities:		
Construction loan facility	8,853,622	8,640,927
Deferred tax liability	648,103	572,349
Total Liabilities	19,981,785	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	21,502,566	24,757,374
Accumulated other comprehensive income	12,006,458	10,517,976
Total Stockholders' Equity	57,142,808	58,909,134
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 77,124,593	\$ 78,520,140
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CHINA PHARMA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue	\$ 2,917,180	\$ 3,542,230	\$ 6,202,383	\$ 7,182,724
Cost of revenue	2,268,823	3,060,133	4,836,173	6,059,808
Gross profit	648,357	482,097	1,366,210	1,122,916
Operating expenses:				
Selling expenses	803,434	857,694	1,521,071	1,826,201
General and administrative expenses	611,951	780,953	1,028,677	1,099,883
Research and development expenses	21,450	96,661	47,510	190,094
Bad debt expense	364,989	494,548	725,052	1,075,848
Impairment of long term assets	977,980	822,539	977,980	822,539
Total operating expenses	2,779,804	3,052,395	4,300,290	5,014,565
Subsidy income	-	348,672	-	348,672
Loss from operations	(2,131,447)	(2,221,626)	(2,934,080)	(3,542,977)
Other income (expense):				
Interest income	16,316	33,123	21,349	66,715
Interest expense	(142,205)	(243,883)	(281,169)	(486,192)
Net other expense	(125,889)	(210,760)	(259,820)	(419,477)
Loss before income taxes	(2,257,336)	(2,432,386)	(3,193,900)	(3,962,454)
Income tax expense	(30,574)	(21,416)	(60,908)	(44,244)
Net loss	(2,287,910)	(2,453,802)	(3,254,808)	(4,006,698)
Other comprehensive income (loss) - foreign currency translation adjustment	1,008,890	(2,153,639)	1,488,482	(1,673,209)
Comprehensive loss	\$ (1,279,020)	\$ (4,607,441)	\$ (1,766,326)	\$ (5,679,907)
Loss per share:				
Basic and Diluted	\$ (0.05)	\$ (0.06)	\$ (0.07)	\$ (0.09)
Weighted average shares outstanding	43,579,557	43,579,557	43,579,557	43,579,557

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

	For the Six Months	
	Ended June 30,	
	2017	2016
Cash Flows from Operating Activities:		
Net loss	\$ (3,254,808)	\$ (4,006,698)
Depreciation and amortization	1,628,380	1,728,273
Bad debt expense	725,052	1,075,848
Deferred income taxes	60,908	44,244
Impairment of long-term assets	977,980	822,539
Changes in assets and liabilities:		
Trade accounts and other receivables	(6,262)	(534,417)
Advances to suppliers	(9,933)	(294,753)
Inventory	439,865	1,146,342
Trade accounts payable	(974,197)	105,290
Accrued taxes payable	(144,739)	(41,984)
Other payables and accrued expenses	(87,949)	(22,833)
Advances from customers	(173,692)	244,323
Prepaid expenses	45,817	288,705
Net Cash (Used in) Provided by Operating Activities	(773,578)	554,879
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	(51,808)	(66,213)
Net Cash Used in Investing Activities	(51,808)	(66,213)
Cash Flows from Financing Activities:		
Payments of construction term loan	(145,750)	(306,028)
Net Cash Used in Financing Activity	(145,750)	(306,028)
Effect of Exchange Rate Changes on Cash	50,900	(146,159)
Net (Decrease) Increase in Cash and Cash Equivalents	(920,236)	36,479
Cash and Cash Equivalents at Beginning of Period	2,665,802	6,248,760
Cash and Cash Equivalents at End of Period	\$ 1,745,566	\$ 6,285,239
Supplemental Cash Flow Information:		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	410,509	486,192
Supplemental Noncash Investing and Financing Activities:		
Accounts receivable collected with banker's acceptance notes	227,274	643,457
Inventory purchased with banker's acceptance notes	210,787	635,806
Issuance of banker's acceptance notes	1,435,381	1,274,293

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