

CPHI reports first quarter 2019 financial results

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China Pharma Holdings, an NYSE American-listed corporation with a fully-integrated speciality pharmaceuticals subsidiary based in China has announced financial results for the quarter ended March 31, 2019.

First Quarter Highlights

- Revenue decreased 19.0% to \$2.9 million in the first quarter 2019 from \$3.6 million in the same period of 2018;
- Gross margin was 22.4% in the first quarter 2019, compared to 29.1% in the same period of 2018;
- Loss from operations was \$0.3 million in the first quarter 2019 compared to \$0.1 million in the same period of 2018, a deterioration of \$0.2 million;
- Net loss was \$0.4 million in the first quarter 2019 compared to \$0.3 million in the same period of 2018. Loss per common share was both \$0.01 per basic and diluted share in the first quarter 2019 and 2018, respectively.

In a statement from Ms. Zhilin Li, China Pharma's Chairman and CEO, "We experienced certain market fluctuations in the first quarter of 2019, which has negatively impacted our revenue in this period. Management will continue to vigorously promote sales through active participation in recent provincial market openings to solicit new drug tender offers and allow China Pharma to expand its presence in these markets." Ms. Li continued, "In addition, we continued experiencing sustained pressure from the more stringent requirements of drug registration standards, consistency evaluations, and the challenging environment in our industry in this period. 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."

First Quarter Results

Revenue decreased by 19.0% to \$2.9 million for the three months ended March 31, 2019, as compared to \$3.6 million for the three months ended March 31, 2018. This decrease was mainly due to market fluctuations.

Gross profit for the three months ended March 31, 2019 was \$0.7 million, as compared to \$1.1 million during the same period in 2018. Our gross profit margin in the three months ended March 31, 2019 was 22.4% as compared to 29.1% during the same period in 2018. The decrease in our gross profit margin was mainly due to the decrease in revenue and the increased ratio of fixed cost to revenue.

Our selling expenses for the three months ended March 31, 2019 and 2018 were \$0.5 million and \$0.7 million, respectively. Selling expenses accounted for 16.3% of the total revenue in the three months ended March 31, 2019, as compared to 18.8% during the same period in 2018. Because of adjustments in our sales practices, due to healthcare reform policies, we had reduced number of personnel and expenses to efficiently support our sales and the collection of accounts receivable.

Our general and administrative expenses for the three months ended March 31, 2019 were \$0.4 million, which represented a decrease of \$0.1 million, as compared to \$0.5 million for the same period in 2018. General and administrative expenses accounted for 14.6% and 13.6% of our total revenues in the three months ended March 31, 2019 and 2018, respectively.

Net loss for the three months ended March 31, 2019 was \$0.4 million, as compared to \$0.3 million for the same period a year ago. The increase in net loss was mainly the result of decreased revenue, whereas the expenditures did not decrease in proportion to revenue, which was due to fixed costs. For the three months ended March 31, 2019 and 2018, loss per basic and diluted common share was both \$0.01.

Financial Condition

As of March 31, 2019, the Company had cash and cash equivalents of \$1.0 million compared to \$1.2 million as of December 31, 2018.

As of March 31, 2019, the net accounts receivable was \$0.8 million, compared to \$0.9 million as of December 31, 2018.

For the three months ended March 31, 2019, cash flow from operating activities was \$0.1 million, as compared to \$0.5 million for the same period in 2018.

China Pharma Holdings, Inc. is a specialty pharmaceutical company that develops, manufactures and markets a diversified portfolio of products, focused on conditions with 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.