

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2024

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-34471

China Pharma Holdings, Inc.
(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

73-1564807

(IRS Employer
Identification No.)

Second Floor, No. 17, Jinpan Road
Haikou, Hainan Province, China 570216
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including the area code: (011) 86 898-6681-1730

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	CPHI	NYSE American

Securities registered pursuant to Section 12(g) of the Act: **None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s)), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and ask price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$4,290,693 as of June 30, 2024, based on the closing price of \$0.25 of the Company's common stock on such date.

The number of outstanding shares of the registrant's common stock on March 24, 2025, was 32,619,109.

Documents Incorporated by Reference: None.

FORM 10-K ANNUAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2024

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FORWARD-LOOKING STATEMENTS

The statements contained in this report with respect to our financial condition, results of operations and business that are not historical facts are “forward-looking statements”. Forward-looking statements can be identified by the use of forward-looking terminology, such as “anticipate”, “believe”, “expect”, “plan”, “intend”, “seek”, “estimate”, “project”, “could”, “may” or the negative thereof or other variations thereon, or by discussions of strategy that involve risks and uncertainties. Management wishes to caution the reader of the forward-looking statements that any such statements that are contained in this report reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors, including, but not limited to, economic, competitive, regulatory, technological, key employees, and general business factors affecting our operations, markets, growth, services, products, licenses and other factors, some of which are described in this report including in “Risk Factors” in Item 1A and some of which are discussed in our other filings with the SEC. These forward-looking statements are only estimates or predictions. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of risks facing our company, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events.

These risk factors should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. All written and oral forward looking statements made in connection with this report that are attributable to our company or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given these uncertainties, we caution investors not to unduly rely on our forward-looking statements. We do not undertake any obligation to review or confirm analysts’ expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events, except as required by applicable law or regulation.

Notwithstanding the above, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) expressly state that the safe harbor for forward-looking statements does not apply to companies that issue penny stock. If we are ever considered to be an issuer of penny stock, the safe harbor for forward-looking statements may not apply to us at certain times.

PART I

ITEM 1. BUSINESS.

Overview

China Pharma Holdings Inc. (the “Company”, “China Pharma”, “we”, “us”, or “our”) is a Nevada holding company. China Pharma is not a Chinese operating company and all the operations are conducted by our wholly owned subsidiary, Hainan Helpson Medical and Biotechnology Co., Ltd. (“Helpson”) and Helpson’s subsidiaries in China. We, through Helpson, are principally engaged in the development, manufacture and marketing of pharmaceutical products for human use in connection with a variety of high-incidence and high-mortality diseases and medical conditions prevalent in the People’s Republic of China (the “PRC”). All of the operations are conducted in the PRC, where the manufacturing facilities are located. Helpson manufactures pharmaceutical products in the form of dry powder injectables, liquid injectables, tablets, capsules, and cephalosporin oral solutions. The majority of Helpson’s pharmaceutical products are sold on a prescription basis and all of them have been approved for at least one or more therapeutic indications by the National Medical Products Administration (the “NMPA”, formerly China Food and Drug Administration, CFDA) based upon demonstrated safety and efficacy.

As of December 31, 2024, China Pharma, through Helpson, manufactured 19 pharmaceutical products for a wide variety of diseases and medical indications, each of which may be classified into one of three general categories:

- Basic generic drugs, which are common drugs in the PRC for which there is a very large market demand;
- First-to-market generic drugs, which are generic drugs that are new to the PRC marketplace; or
- Modern Traditional Chinese Medicines (“TCMs”), which are generally comprised of non-synthetic, plant-based medicinal compounds that have been widely used in the PRC for thousands of years. We apply modern production techniques to produce pharmaceutical products in different formulations, such as tablets, capsules or powders.

In selecting generic drugs to develop and manufacture, we consider several factors, including the number of other manufacturers currently producing the particular drug, the size of the market for that drug, the proposed or required method of distribution, the existing and expected pricing for that particular drug in the marketplace, the costs of manufacturing the drug, and the costs of acquiring or developing the formula for the drug. We believe that generic drugs we have always been selecting to manufacture have large addressable markets and higher profit margins relative to other generic drugs manufactured and distributed in the PRC.

In addition, China Pharma, through Helpson, manufactured comprehensive healthcare products and protective products.

China Pharma, through Helpson, currently own and operate two production facilities in Haikou, Hainan Province, PRC. One has a construction area of 663.94 square meters, the other factory has two buildings with production area of 20,282.42 square meters and 6,593.20 square meters. We implement quality control procedures in this facility in compliance with the PRC's Good Manufacturing Practices, or GMP standards, and applicable NMPA regulations to ensure consistent quality in our products.

The NMPA promulgated *Good Manufacturing Practices for Pharmaceutical Products* (2010 revised version) on February 12, 2011 (effective as of March 1, 2011) (the "Year 2011 GMP Standards"). The Year 2011 GMP Standards outlines the basic principles and standards for the manufacturing of pharmaceutical products and the management of quality controls in the pharmaceutical products manufacturing industry in the PRC. All of Helpson's production lines: tablets, capsules, dry powder, liquid injectables, solid oral solution Cephalosporins (specifically designated), are in full compliance with the Year 2011 GMP Standards. A newly revised Drug Administration Law (the "New Law") came into effect on December 1, 2019. The New Law cancelled the GMP certification but impose the pilot inspection mechanism in the event that if any production line(s) does not satisfy any pilot inspection under the New Law, the production on such production line(s) could be suspended. As of the date of this annual report, Helpson's production lines are in full compliance with the New Law.

Helpson has established a comprehensive sales network and compliance system while conducting business and selling its products in the Chinese market. Helpson directly supplies products to hospital and OTC pharmacies through provincial and municipal pharmaceutical logistic companies with legal qualifications (such as the "Drug Supply License" and GSP certification), covering the primary healthcare institution market. Leveraging our professional team's academic-driven promotion model, we provide tailored services to medical institutions, offering evidence-based medical support to build a value chain from clinical medication to patient health improvement outcomes, thereby achieving sales targets. We strive to maintain sustained growth amidst a stringent regulatory environment.

Our corporate organizational chart is set forth below.



Industry Background and Market Opportunities

China's pharmaceutical industry is heavily policy-driven. Policies like the generic drug consistency evaluation and centralized volume-based procurement (CP) significantly shape the market. According to the National Bureau of Statistics of China, in the first half of 2024, pharmaceutical enterprises above a designated size reported operating income of RMB 1.47 trillion (approximately \$205 billion), a 1.4% year-on-year decline, and profits of RMB 211.2 billion (approximately \$29.5 billion), down 1.2%.

Unlike Western markets, China's pharmaceutical sector features numerous small-scale manufacturers, low industry concentration, and intense competition over homogeneous products. As of August 2024, there were 9,679 pharmaceutical firms, up 267 from year-end 2023. Recent healthcare reforms promote consolidation, but the longstanding issue of fragmentation persists.

An aging population and rising healthcare demand fuel industry growth, tempered by medical insurance cost controls. In 2024, China's population aged 60 and above reached 310.31 million (22.0% of the total), up from 296.97 million (21.1%) in 2023. Professor Chen Youhua of Nanjing University notes that pension coverage has driven the retiree proportion from 9.26% in 2010 to 15.8% in 2020, projected to exceed 23% by 2030. With 1.334 billion people enrolled in basic medical insurance (95% coverage) by 2023, personal health expenditures remain low (27.7% of total health costs in 2020, expected to hold near 27% by 2025), shifting the burden to government and social funds. This pressures the medical insurance system, with fewer premium payers supporting more beneficiaries, exacerbating fund imbalances.

The National Healthcare Security Administration (NHSA) has expanded CP nationwide, slashing drug prices to secure bids. Since 2018, ten batches of national drug procurement have occurred, with the tenth batch in October 2024 covering 62 products and 263 specifications (e.g., cardiovascular, anti-infection drugs). The NHSA plans an eleventh batch in 2025, targeting 700 varieties. This has favored specialized and oncology drugs over adjuvant therapies, pushing generic manufacturers to innovate. In 2024's first 11 months, the basic medical insurance fund recorded RMB 3.11 trillion (approximately \$434 billion) in revenue and RMB 2.63 trillion (approximately \$367 billion) in expenditure, with a cumulative balance of RMB 3.86 trillion (approximately \$539 billion).

Rising medical demand and consumption levels highlight the value of innovative, high-quality drugs. The State Council's 2023 TCM revitalization plan positions Traditional Chinese Medicine as a key health pillar. The TCM market neared RMB 720 billion (approximately \$101 billion) in 2023, with a 1.75% five-year CAGR, and is estimated to exceed RMB 750 billion (approximately \$105 billion) in 2024. By 2050, with over 30% of China's population elderly, demand for premium healthcare products and services will likely sustain stable industry growth.

Intercompany activities between the holding company and our subsidiaries

As of the date of this report, none of our subsidiaries has distributed any dividends to China Pharma, nor has China Pharma distributed any dividends to the investors. The Company currently has no intention to distribute earnings to the shareholders and investors. The tables below present cash flow transfer between China Pharma and Helpson, through China Pharma's wholly owned subsidiary Onny Investment Limited ("Onny") for the year ended December 31, 2024 and 2023. The Company's management understands that there are no tax consequences for cash flow transfers between China Pharma and Helpson through Onny.

For the year ended December 31, 2024

<i>No.</i>	<i>Transfer from</i>	<i>Transfer to</i>	<i>Approximate value</i> <i>(\$)</i>	<i>Note</i>
1	Helpson (via Onny)	China Pharma	30,000	For the payment of the agent service fees of China Pharma

For the year ended December 31, 2023

<i>No.</i>	<i>Transfer from</i>	<i>Transfer to</i>	<i>Approximate value</i> <i>(\$)</i>	<i>Note</i>
1	China Pharma (via Onny)	Helpson	1,300,000	For Helpson's operations

Our cash management policy basically is to allocate the cash resources based on the needs and projection of each subsidiary within the Company. Although the purpose of all transfers needs to be business operation-related, there is no strict limitation on how much cash can be transferred, because the Company treats all subsidiaries as a whole group under the Company's policy of the fund transfer. The cash transfer is requested when needed and approved by authorized persons based on the amount of cash transfer.

Consistency Evaluation for Generic Drugs

Generic drugs replicate the active ingredients, dosage, administration route, form, and indications of original patented drugs, matching them in safety, efficacy, and quality. However, differences in non-active ingredients may cause slight therapeutic variations.

China's generic drug industry is advancing toward higher quality. The NMPA enforces lifecycle oversight to ensure safety and efficacy, with consistency evaluations enhancing generic substitutability for originals, offering affordable, high-quality options. Generics account for approximately 77.8% of drug sales, vital for chronic and common disease treatment.

In the first half of 2024, 875 product specifications passed consistency evaluations, with injectables comprising 47.9%, covering 387 unique drug varieties. The NMPA's September 2023 draft Guidelines limit applications for identical products to three years post-initial approval, fostering innovation.

Post-2019 peak, the generic market dropped to below RMB 850 billion (approximately \$118 billion) in 2020 due to the pandemic, stabilizing near RMB 900 billion (approximately \$125 billion) from 2021–2023. Since 2015, consistency evaluations and CP have elevated quality and market share, with R&D focusing on advanced generics (e.g., insoluble drug delivery, controlled-release formulations). Helpson actively pursues evaluations, with its flagship Candesartan passing in August 2023.

Helpson has actively promoted the consistency evaluation process of several important products in 2024; and its flagship product, Candesartan, has passed the evaluation of consistency in August 2023.

The PRC Legal System

Legal and Operational Risks Associated with Having the Majority of the Company's Operations in China

The PRC legal system is based on written statutes. The laws, regulations and legal requirements of China are relatively new and are often changing, and their interpretation and enforcement depend to a large extent on relevant government policy and involve significant uncertainties that could limit the reliability of the legal protections available to us. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively.

The PRC government has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business and other licenses and requiring actions necessary for compliance. We cannot predict the effect of the interpretation of existing or new PRC laws or regulations on our businesses. We cannot assure you that our current ownership and operating structure would not be found in violation of any current or future PRC laws or regulations. As a result, we may be subject to sanctions, including fines, and could be required to restructure our operations or cease to provide certain services. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Any of these or similar actions could significantly disrupt our business operations or restrict us from conducting a substantial portion of our business operations, which could materially and adversely affect our business, financial condition and results of operations.

In addition, the enforcement of laws and regulations in China can change quickly with little advance notice. In 2021, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement. Since these statements and regulatory actions are new, it is highly uncertain how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, and the potential impact such modified or new laws and regulations will have on our daily business operation, the ability to accept foreign investments and list on an U.S. or other foreign exchange. Any action by the Chinese government to exert more oversight and control over foreign investment in China-based companies could result in a material change in our operation, cause the value of our ordinary shares to significantly decline or become worthless, and significantly limit, or completely hinder our ability to offer or continue to offer our ordinary shares to investors and cause the value of such securities to significantly decline or be worthless.

We cannot predict the effects of future developments in government policy or the PRC legal system in general. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future operations, which may not be obtainable in a timely fashion or at all, or may involve substantial costs and unforeseen risks. An inability to obtain, or the incurrence of substantial costs in obtaining, such permits, authorizations and approvals may have a material adverse effect on our business, financial condition and results of operations.

CSRC Filing Requirements and Cybersecurity Review

As China Pharma is already publicly listed in the U.S., the Trial Measures (as defined below) do not impose additional regulatory burden on us beyond the obligation to report to the CSRC any future offerings of our securities, or material events such as a change of control or delisting. In addition, we believe that we are not subject to cybersecurity review, since we (i) are not network platform operators engaging in data processing activities that affect or may affect national security; (ii) are not critical information infrastructure operators purchasing cyber products or services that affect or may affect national security; (iii) are not network platform operators with personal information data of more than one million users and do not need to obtain any permission or approval from the CAC in accordance with the New Measures for Cyber Security Review. See *“Risk Factor - We are not required to submit an application to CSRC pursuant to the M&A Rules, nor are we subject to the cybersecurity review. However, based on the recent promulgation of the Trial Measures, which became effective on March 31, 2023, we may be required to complete the filing requirements when we have re-financing or any additional offerings in future”* for more details.

Permissions and Approvals for business operation

As of the date of this report, the Company and Helpson have obtained all the required permissions and approvals from PRC authorities and have never been denied any applications. Helpson has never failed to receive or maintain any permissions or approvals, nor were they rejected any such applications. However, the PRC regulatory authorities may in the future promulgate laws, regulations, or implementing rules that require us, or Helpson, to obtain additional permissions or approvals to operate our business. Upon that time, we cannot assure we are able to receive such additional permissions and approvals on time. If we do not receive or maintain the approval, or inadvertently conclude that such approval is not required, or applicable laws, regulations, or interpretations change such that we are required to obtain approval in the future, we may be subject to an investigation by competent regulators, fines or penalties, and these risks could result in a material adverse change in our operations and the value of our common stock, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause such securities to significantly decline in value or become worthless.

The PRC’s Medical Insurance System

Since its inception, the NHSA has adjusted the drug catalog annually, adding 835 drugs (530 via negotiation, 38 via bidding) and removing 438 outdated or replaceable ones. By October 2024, negotiated drug payments exceeded RMB 350 billion (approximately \$49 billion), aiding 830 million patients. The 2024 catalog, effective January 1, 2025, added 91 drugs (89 negotiated/bid, 2 CP-selected) and removed 43, totaling 3,159 drugs, reducing patient costs by over RMB 50 billion (approximately \$7 billion) in 2025.

Cost control drives policy. The medical insurance fund, covering ~40% of healthcare costs, dictates industry cash flow. In 2024’s first 11 months, it recorded RMB 3.11 trillion (approximately \$434 billion) in revenue and RMB 2.63 trillion (approximately \$367 billion) in expenditure, with a RMB 3.86 trillion (approximately \$539 billion) cumulative balance. The tenth CP batch (December 2024) procured 62 drugs, with 385 products from 234 firms selected, covering 435 drugs across 10 batches, creating RMB 500 billion (approximately \$70 billion) in fund space for new drugs and technologies.

Our Strategy

We believe that the pursuit of innovation is imperative for providing the basic medical solutions needed by the majority of patients. We are passionate about protecting human health, and we always adhere to the highest standards of ethics and integrity to fulfill our firm commitment to our customers and patients.

We believe we are well-positioned in a comparatively steadily growing industry in one of the fastest-growing economies in the world. With China's per capita GDP exceeding US\$12,700 in 2023, consumption structure upgrade, and the establishment of a high-quality health care system has become one of the most important tasks. We currently manufacture a number of off-patent branded generic drugs. Our diverse portfolio of products and new product pipelines include products for high-incidence and high-mortality conditions in the PRC, such as cardiovascular, central nervous system ("CNS"), infectious, and digestive diseases. We launched several epidemic prevention products such as medical masks, surgical masks, KN95 masks, and N95 masks, and wash-free sanitizers since the outbreak of COVID-19 at year end 2019. In addition, we continue to explore comprehensive healthcare market after the launch of Noni enzymes in 2018. China has entered a post epidemic era with the end of the dynamic zero-COVID policy since December 2022, and the burden of being protected from the COVID and other epidemics has fallen on each individual, which we believe will boost the sales of Helpson's products.

Consistency evaluation of our current existing major products will be the focus of our strategy in the near future. The consistency evaluation of generic drugs will improve Chinese generic drugs quality and eliminate unqualified enterprises, so that high-quality generic drug companies are expected to benefit from it. Consistency evaluation, together with the centralized drug procurement, are optimizing the competitive landscape of the Chinese pharmaceutical industry. We believe that the market space and growth potential for Chinese generic drugs are huge.

A series of medical reform policies introduced in recent years has profound and far-reaching impact on pharmaceutical companies. Therefore, early considerations of the transformation and upgrading, as well as product positioning become very important. Based on more than twenty-year experience in R&D, production and marketing experiences, and our market insights, we have decided to gradually adjust our strategy to produce generic and innovative drugs with high value in pharma-economics, good clinical efficacy and market differentiation. These include drugs that treat chronic diseases prevalent in China, such as geriatric diseases, cancers, and nutritional products.

In addition, as another direction of strategic development, we will actively explore digital interactive healthcare solutions on the Internet. After the advent of the Internet era, marketing is no longer a vertical down logical relationship, but a decentralized form of interconnection. We will proactively adjust our business focus and allocate resources to meet market development preferences, provide a more convenient user experience, better standard treatment plans, and bring higher patient satisfaction.

Our objective is to leverage our expertise in the PRC for the development, manufacture and commercialization of pharmaceutical products. We intend to achieve this objective by:

Promoting Our Existing Brands to Increase Our National Recognition. We intend to support and grow the existing recognition and reputation of our brands and to maintain our branded pricing strategy through continued sales and marketing efforts through our production lines. To achieve this goal, we plan to promote the efficacy and safety profile of our established prescription pharmaceutical products to physicians at hospitals and clinics in all provinces of PRC through the efforts of our sales force, independent distributors and educational physician conferences and seminars.

Promoting the progress of consistency evaluation of our current existing main products. We intend to cope with the latest policies and the GPO requirements. We aim to make efficient use of our existing human and material resources, and strive to create favorable conditions for product sales and international development through gaining a favorable result in the consistency evaluation.

Exploring on the consumption healthcare market. Consumption healthcare generally refers to products or services that have certain medical features and can bring health improvement to consumers, but are mainly paid by individuals (less dependent on medical insurance) and have brand effect. We have observed that it has become a high growth field in recent years. It is not limited by medical insurance, and has low penetration rate and high growth. It covers the fields of consumption of traditional Chinese medicine, physical examination, health care, rehabilitation and so on. We will continue to actively explore this niche market.

Expanding Our Distribution Network to Increase Market Penetration. By strategically partnering with regional leaders in key provinces, we will navigate regional centralized procurement programs (such as volume-based procurement initiatives) to drive growth for both existing and pipeline products. Building on this foundation, we plan to further extend our market reach to target new opportunities. Additionally, we are deploying digital marketing channels, collaborating with internet hospitals to enable compliant e-prescription transfers to partnered pharmacies. This S2B2C (Supplier-to-Business-to-Consumer) model, supported by digital tools, will enhance sales performance and market accessibility.

Explore CDMO services. Since the State Council of China issued *The Pilot Scheme of Drug Marketing License Holder System* in 2016, Helpson has been actively exploring the CDMO market, especially in the field of high-end manufacturing. Helpson will focus on developing CDMO of pharmaceutical preparations required in the whole life cycle from preclinical, clinical trials, scale-up manufacturing to drug marketing and make full use of its more than two decades of whole process experience in China's pharmaceutical industry to engage in pharmaceutical formula research, development, NMPA production application, industrialization and commercialization. Helpson strives to achieve internal and external coordination and complement each other's resources and advantages.

Acquiring Complementary Products Lines, Technologies, Distribution Networks and Companies. We intend to selectively pursue strategic acquisition opportunities that we believe will grow our customer base, expand our product lines and distribution network, enhance our manufacturing and technical expertise or otherwise complement our business or further our strategic goals. Pursuing strategic acquisitions is a significant component of our growth strategy. The Company has not identified any strategic acquisition opportunities as of the date of this report on Form 10-K.

Products

Helpson currently has a product portfolio of 22 products, including 19 pharmaceutical products that address a wide variety of diseases and medical indications, and the remaining are comprehensive healthcare and protective products. All of its pharmaceutical products have demonstrated safety and efficacy in clinical trials sufficient to obtain approval by the NMPA and are sold on a prescription basis. The following table summarizes the approved indications for our marketed products and the year in which each of such products was first marketed to our customers.

Product	Indication	Year of Commercial Launch
Central Nervous System (CNS) and Cerebral-Cardiovascular Diseases		
Cerebroprotein Hydrolysate Injection	Memory decline and attention deficit disorder caused by the sequela of craniocerebral trauma and cerebrovascular diseases.	1996
Gastrodin Injection	Tiredness, loss of concentration, poor sleep, and traumatic syndromes of the brain, including vertigo, neuralgia and headaches.	2005
Propylgallate for Injection	Cerebral thrombosis, coronary heart disease and complications after surgery such as thrombus deep phlebitis.	2006
Ozagrel Sodium for Injection	Acute thrombotic cerebral infarction and dyskinesia associated with cerebral infarction	2006
Alginic Sodium Diester Injection	Ischemic heart disease, cerebrovascular diseases (cerebral thrombosis, cerebral embolism and coronary heart disease) and high lipoprotein blood disease.	2006
Bumetanide for Injection	Various edema diseases (including those associated with heart failure, hepatic cirrhosis, nephropathy, and pulmonary edema), hypertension, acute renal failure, hyperkalemia, hypercalcemia and for the rescue from acute drug poisoning.	2007
Candesartan	Hypertension	2013

Anti-infection and Respiratory Diseases

Roxithromycin Dispersible Tablets	Pharyngitis and tonsillitis caused by <i>Streptococcus pyogenes</i> ; sinusitis, tympanitis, acute and chronic bronchitis caused by acute bacterial infection, <i>Mycoplasma pneumoniae</i> and <i>Chlamydia pneumoniae</i> ; urethritis and cervical infection caused by <i>Chlamydia trachomatis</i> ; skin soft tissue infection caused by sensitive bacteria.	1995
Cefaclor Dispersible Tablets	Tympanitis, lower respiratory tract infection, urinary tract infections and skin/skin tissue infection.	2002
Cefalexin Capsules	Acute tonsillitis caused by sensitive fungi, airway infections, such as pharyngitis, otitis media, nasal sinusitis and bronchitis; pneumonia, respiratory tract infection, urinary tract infections and skin soft tissue infections.	2002
Andrographolide	Detoxification, antibacterial and anti-inflammatory. For sore throat caused by upper respiratory tract infection	2003
Clarithromycin Granules and Capsules	Nasopharynx infection, lower respiratory tract infection, skin tissue infection, acute tympanitis and <i>Mycoplasma pneumoniae</i> caused by clarithromycin susceptible organisms; urethritis and cervical infection caused by <i>Chlamydia trachomatis</i> ; and the treatment of legionella infection, <i>Mycobacterium avium</i> complex (MAC) infection and <i>Helicobacter pylori</i> infection.	2004
Naproxen Sodium and Pseudoephedrine Hydrochloride Sustained Release Tablet	Relieves cold, sinus and flu symptoms, blocked nose caused by allergic rhinitis, runny nose, fever, sore throat, symptoms of myalgia in the limbs and pain around the joints.	2005

Digestive Diseases

Hepatocyte Growth-promoting Factor for Injection	Serious viral hepatitis symptoms caused by various viral hepatitis types (acute, subnormal temperature, chronic serious disease early or middle period of hepatitis).	2005
Tiopronin	Acute and chronic Hepatitis B, and for the relief of drug-induced liver injury.	2009
Compound Ammonium Glycyrrhetate S for Injection	Liver dysfunction caused by acute and chronic hepatitis; supplemental treatment to toxic/trauma hepatitis, liver cancer; also for the indication of food/drug poisoning, and drug allergy.	2009
Omeprazole	Gastroesophageal reflux disease, and other conditions caused by excess acidic formulations in the stomach, including gastric ulcers, recurrent duodenal ulcers and Zollinger-Ellison Syndrome.	2009

Others

Vitamin B6 for Injection	Vitamin supplement.	2005
Granisetron Hydrochloride Injection	Nausea and vomiting caused by radiotherapy and chemotherapy during the treatment of malignant tumors.	2006

Comprehensive Healthcare and Protective Products

Noni Enzyme	natural, healthy and nutrition-rich a natural, healthy and nutrition-rich food supplement	2018
Sanitizer	75% alcohol wash-free sanitizer	2020
Masks	KN95 Particulate Respirator, Disposable Medical Mask, Particle Filtering Mask, N95 Medical Protective Mask	2020 to 2023

Set forth below are our revenues by product category in millions (USD) for the years ended December 31, 2024 and 2023:

Product Category	Twelve Months Ended December 31,		Net Change %	Change
	2024	2023		
CNS Cerebral & Cardio Vascular	1.35	1.62	-0.27	-17%
Anti-Viral/ Infection & Respiratory	2.75	3.57	-0.82	-23%
Digestive Diseases	0.20	1.09	-0.89	-82%
Other	0.18	0.73	-0.55	-75%

Due to the nature of the pharmaceutical industry, Helpson continually strives to change our product portfolio to respond to changes in market demand. Based on a foundation established by a number of our widely-recognized prescription products, such as Cefaclor and Roxithromycin, Helpson has launched and will continue to launch a variety of pharmaceuticals. The core criteria for Helpson's selection of potential pipeline products are strong market demand, proven efficacy, and safety. In an effort to gain an advantage in the marketplace, Helpson often seeks to improve the production process of the new generic products Helpson elects to manufacture or to improve the quality of a proposed product to increase its efficacy.

Helpson also adjusts the delivery systems and marketing for each of our products based on the product's target patient group. We believe that maintaining a variety of delivery systems (e.g. tablets, capsules, injectables and dry powders) for certain of its products targeted at different groups enhances its competitive position in the marketplace. As a result, its sales and marketing personnel work closely with management and the research and development personnel to determine which of the products can successfully be marketed for more than one delivery system and which generic drugs in the marketplace may be good candidates to manufacture and distribute using different delivery systems.

Product Development

Research & development and innovation represent the core competitive advantage for a company's sustainable growth. For pharmaceutical companies, products with proprietary intellectual property are not only strategic resources for comprehensive strength, but also important tools to engage in social responsibility. Helpson has been focusing on the research and development of both first generic drugs and innovative drugs. Additionally, Helpson also has actively worked to meet unfulfilled medical needs by sticking to a market-oriented approach and continuously improving the effectiveness and ease of use of our drugs, which are supported by our well-designed system for intellectual property management.

The PRC State Council issued "*Opinions on Carrying out Consistency Evaluation on Quality and Efficacy of Generic Drugs*" on March 5, 2016, requiring all manufacturers of generic chemical pipeline products to carry out Consistency Evaluations before they may obtain final registration approval. Drugs failing to meet these requirements may not be re-registered.

Currently, due to this newly issued NMPA production approved standards and experimental requirements, as with all other Chinese generic pharmaceutical companies, almost all of Helpson's pipeline products have undergone major adjustments.

Helpson's recent research and development work is mainly aimed at promoting the consistency evaluation of several major products already on the market, as well as the continued exploration of comprehensive health product categories.

Helpson has recently acquired formulas for dry eye syndrome, chronic obstructive pulmonary disease, and a pharmaceutical composition for treatment of psoriasis, etc. It is expected to launch those products as soon as the registration process is completed. In addition, Helpson has launched N95 Medical Protective masks in early 2023. Since China ended its zero-case policy and no longer requires shutdown or quarantine in December 2022, the market demand for prevention materials, such as masks has surged.

Distribution and Customers

Helpson has a well-established sales network. As its current pharmaceutical product portfolio is comprised mainly of prescription drugs, its major sales targets are hospitals. As of December 31, 2024, we have been distributing products directly to hospital endpoints and OTC pharmacies through provincially and municipally licensed pharmaceutical companies (holding valid Drug Supply Licenses and GSP certifications), achieving comprehensive coverage of primary healthcare markets. Leveraging our professional team's academic-driven promotion model, we engage with medical institutions by providing evidence-based medical support. This approach establishes a value chain extending from clinical medication to measurable patient health outcomes, enabling us to achieve sales targets while maintaining sustainable growth within China's stringent regulatory environment.

Due to the nature of Helpson's products and current governmental regulations, all of its customers are located in the PRC. Helpson has established long-standing relationships with key customers.

Production Facilities

China Pharma, through Helpson, manufacture and package our products at our manufacturing facility in the Haikou Free Trade Zone in Haikou, Hainan Province. The old manufacturing facility, which was built in 2002, is approximately 8,000 square meters (approximately 12.4 million square feet); and the new building, approximately 20,000 square meters (approximately 31 million square feet), was completed in 2013. Helpson maintains production lines that conform to the 2011 GMP standards for various product forms including: tablets, capsules, dry power, liquid injectables, solid oral solution Cephalosporins (specifically designated); other than that, it also has production lines for health care products and various types of masks that meet national standards.

All of the existing production lines have met the GMP Standards which became effective as of March 1, 2011. On December 1, 2019, the newly revised Drug Administration Law (the "New Law") came into effect, which cancelled the GMP certification but impose the pilot inspection mechanism.

Raw Materials

Helpson requires a supply of a wide variety of raw materials to manufacture its products. Helpson employs purchasing staff with extensive knowledge of its products who work with the product development, and formulations and quality control personnel to source raw materials for the products. Currently, Helpson relies on numerous suppliers in the PRC and overseas to deliver the required raw materials and believe it has at least three principal suppliers for each of our most critical raw materials. Historically, Helpson has not had difficulty obtaining raw materials from suppliers. For the year ended December 31, 2024, the purchases of raw material purchases from its three top suppliers accounted for 22.9%, 21.3%, and 14.6%, respectively. For the year ended December 31, 2023 three top suppliers accounted for 17.7%, 13.8%, and 8.9%, respectively.

Competition

We believe we have established a commercially competitive position in the highly-fragmented pharmaceutical industry in China through our core competitive advantages, as described below:

Helpson has a highly-efficient commercialization process for new products, including significant experience with the NMPA registration process.

Helpson has over 20 years of product-development experience during which time it has implemented processes to efficiently introduce and market new and existing products to the Chinese market.

Helpson has a market-oriented product portfolio and product lines.

Helpson's product focuses on developing and manufacturing medicines that help large patient groups, such as the infectious disease and cardio vascular disease patient groups. Its diversified GMP-certified manufacturing facility includes various production lines targeting a variety of delivery mechanisms, such as tablets, capsules, cephalosprine tablets, cephalosprine capsules, liquid-injectables and dry powder injectables, which enables it to effectively manufacture a broad range of new drugs; other than that, it also has production lines for health care products and various types of masks that meet national standards.

We have product diversification to target specific sub-markets.

We attempt to differentiate our products from those of our competitors by changing, and, in many cases, improving certain physical aspects of our products to market under different market segments. For example, to make our Cefaclor product more patient friendly to children and patients with swallowing problems, we added an enteric coating to make our tablets easier to swallow.

Helpson has a national sales network and a highly-trained marketing team.

Helpson's experienced sales team has industry knowledge and know-how to synergistically combine its strong market insight with successful commercialization platforms.

Helpson has developed high-quality relationships with leading hospital and clinic administrators and physicians.

While sales of the pharmaceutical products to hospitals are made through the distributors, Helpson believes it has established long-term cooperation relationships with leading hospitals and healthcare clinics throughout China resulting from its long-term promotional efforts and periodic physician seminars, so that to improve the perception of the products in the marketplace and help identify and select high-volume drugs to develop into new generic products relatively early in the process.

Notwithstanding such favorable positioning, Helpson is subject to intense competition. There are both local and overseas pharmaceutical enterprises that are engaged in the manufacture and sale of potential substitute or similar pharmaceutical products in the PRC. These competitors may have more capital, better research and development resources, better manufacturing and marketing capability, and more experience than we do.

Our profitability may be adversely affected if:

- the number of our competitors increases;
- competitors engage in increased price competition; or
- competitors develop new products or product substitutes having comparable medicinal applications or therapeutic effects that are more effective, less costly and/or have more perceived benefits than those produced by us.

In addition, imported products and China's admission as a member of the World Trade Organization ("WTO") creates increased competition. The PRC became a member of the WTO in December 2001. As a result, competition in the pharmaceutical industry in the PRC intensified generally in two respects. First, with lower import tariffs, imported pharmaceutical products manufactured overseas may become increasingly competitive in terms of pricing. Second, we believe that well-established foreign pharmaceutical manufacturers may set up production facilities in the PRC and compete with domestic manufacturers directly. With the expected increased supply of competitively-priced pharmaceutical products in the PRC, we may face increased competition from foreign pharmaceutical products, especially in terms of high-end pharmaceutical products, including certain types of products manufactured by U.S. manufacturers.

Intellectual Property

We regard our packaging designs, trademarks, trade secrets, patent and similar intellectual property as parts of our core competence that are critical to our success. We rely on patent, trademark and trade secret law, as well as confidentiality agreements with certain of our employees, distributors and others to protect our intellectual property rights.

In November 2008, Helpson purchased the patented medical formula and the manufacturing processes for a cerebral/cardio-vascular indication from a third-party laboratory. In connection with that acquisition, we obtained the title of the patent. This patent expires in 2025.

In 2012, Helpson acquired another patent related to a medical formula for the treatment of cerebral/cardio-vascular diseases. This patent expires in 2029.

In 2022, Helpson, our wholly owned subsidiary, acquired a utility model patent and an invention patent application regarding the creation of an ophthalmic oxygen enriched atomization therapeutic apparatus from Chengdu Bonier Medical Technology Development Co., Ltd. (“Bonier”). Based on the technology transfer agreement, Helpson will receive the utility model patent right of the technical invention and the patent application right of the invention, and Bonier will provide relevant technical services.

As of December 31, 2024, Helpson owns 15 registered trademarks, including marks for eight of the 19 pharmaceutical products Helpson manufactures, including the tradenames Fukexing, Beisha, Shiduotai, Xinuo, Pusenlitai, Pusenouke, Shuchang, Shenkaineng, XERONINE, and Aronino, as well as marks for the HPS logo, two HELPSON logos and two other logos.

Environmental Matters

Helpson complies with the Environmental Protection Law of China as well as applicable local regulations. In addition to statutory and regulatory compliance, Helpson actively ensures the environmental sustainability of the operations. Penalties may be levied upon it if we fail to adhere to and maintain certain standards. Such failure has not occurred in the past, and Helpson does not anticipate that it will occur in the future, but no assurance can be given in this regard.

Regulations

Regulations Relating to Pharmaceutical Manufacture Industry. The pharmaceutical manufacture industry in China is highly regulated. The primary regulatory authority is the NMPA, including its provincial and local branches. As a developer and producer of medicinal products, Helpson is subject to regulation and oversight by the NMPA and its provincial and local branches. The Medicinal Product Administration Law of the People’s Republic of China provides the basic legal framework for the administration of the production and sale of pharmaceuticals in China and covers the manufacturing, distribution, packaging, pricing and advertising of pharmaceutical products. These regulations set forth detailed rules with respect to the administration of pharmaceuticals in China. We are also subject to other PRC laws and regulations that are applicable to business operators, manufacturers and distributors in general.

Registration and Approval of Medicine. Pursuant to the PRC Provisions for Drug Registration, a medicine must be registered and approved by the NMPA before it can be manufactured and sold. The registration and approval process requires the manufacturer to submit to the NMPA a registration application containing detailed information concerning the efficacy and quality of the medicine and the manufacturing process and the production facilities the manufacturer expects to use. A series of policies on consistency evaluation and drug review process have been issued in recent years, and potentially more reforms and adjustments are underway in order to promote the pharmaceutical industry in China in line with the international standards. In this context, we believe that the uncertainties in the timetables for obtaining NMPA production approvals for products under research are increasing. If a manufacturer chooses to manufacture a pre-clinical medicine, it is also required to conduct pre-clinical trials, apply to the NMPA for permission to conduct clinical trials and go through the clinical trials. If a manufacturer chooses to manufacture a post-clinical medicine, it only needs to go through the clinical trials. In both cases, a manufacturer needs to file clinical data with the NMPA for approval to manufacture after clinical trials are completed.

New Medicine. If a new medicine is approved by the NMPA, the NMPA will issue a new medicine certificate to the manufacturer and impose a monitoring period from one to five years. During the monitoring period, the NMPA will monitor the safety of the new medicine, and will neither accept new medicine certificate applications for an identical medicine by another pharmaceutical company, nor approve the production or import of an identical medicine by other pharmaceutical companies. As a result of these regulations, the holder of a new medicine certificate has the exclusive right to manufacture it during the monitoring period. We currently have the new medicine certificates for our Pusenouke, Cefaclor dispersible tablets and Roxithromycin dispersible tablets and Bumetanide for injection products.

National Production Standard and Provisional Standard. In connection with the NMPA's approval of a new medicine, the NMPA will normally direct the manufacturer to produce the medicine according to a provisional national production standard, or a provisional standard. A provisional standard is valid for two years, during which time the NMPA closely monitors the production process and quality consistency of the medicine to develop a national final production standard for the medicine, or a final standard. Three months before the expiration of the two-year period, the manufacturer is required to apply to the NMPA to convert the provisional standard to a final standard. Upon approval, the NMPA will publish the final standard for production. The NMPA has no statutory timeline to complete its review and grant approval for the conversion. In practice, the approval for conversion to a final standard is time-consuming and could take a number of years. However, during the NMPA's review period, the manufacturer may continue to produce the medicine according to the provisional standard.

Transitional Period. Prior to the latter of (1) the expiration of a new medicine's monitoring period or (2) the date when the NMPA grants a final standard for a new medicine after the expiration of the provisional standard, the NMPA will not accept applications for an identical medicine nor will it approve the production of an identical medicine by other pharmaceutical companies. Accordingly, the manufacturer will continue to have an exclusive production right for the new medicine during this transitional period.

Continuing NMPA Regulation

Pharmaceutical manufacturers in China are subject to continuing regulation by the NMPA. If the labeling or its manufacturing process of an approved medicine is significantly modified, a new pre-market approval or pre-market approval supplement will be required by the NMPA. A pharmaceutical manufacturer is subject to periodic inspection and safety monitoring by the NMPA to determine compliance with regulatory requirements.

The NMPA has a variety of enforcement actions available to enforce its regulations and rules, including fines and injunctions, recall or seizure of products, imposition of operating restrictions, partial suspension or complete shutdown of production and criminal prosecution.

Pharmaceutical Product Manufacturing

Permits and Licenses for Pharmaceutical Manufacturers. A pharmaceutical manufacturer must obtain a pharmaceutical manufacturing permit from the NMPA's relevant provincial branch. This permit is valid for five years and is renewable for an additional five-year period upon its expiration. Our current pharmaceutical manufacturing permit, issued by the NMPA, will expire on November 8, 2025. We are confident the permit could be renewed before its expiration.

Good Manufacturing Practice. A pharmaceutical manufacturer must meet the Good Manufacturing Practice standards, or GMP standards, for each of its production facilities in China in respect of each form of pharmaceutical product it produces. GMP standards include staff qualifications, production premises and facilities, equipment, raw materials, environmental hygiene, production management, quality control and customer complaint administration. Prior to December 1, 2019, if a manufacturer meets the GMP standards, the NMPA will issue to the manufacturer a Good Manufacturing Practice certificate, or a GMP certificate, with a five-year validity period. However, for a newly-established pharmaceutical manufacturer that meets the GMP standards, the NMPA will issue a GMP certificate with only a one-year validity period. The Year 2011 GMP Standards became effective on March 1, 2011, and pharmaceutical manufacturers (except for manufacturers of injectables, blood products or vaccines, which had a three-year grace period) had a five-year grace period to upgrade existing facilities to comply with the revisions.

All of Helpson's existing production lines have met the Year 2011 GMP Standards. On December 1, 2019, the newly revised Drug Administration Law (the "New Law") came into effect. One of the major amendments is the cancellation of GMP certification. The New Law eliminated the requirement that drug administration authorities shall assess drug manufacture enterprises and drug trading enterprises, and issue assessment certificates. Instead, it requires that drug manufacturing enterprises and drug trading enterprises establish and improve the quality management systems of manufacture and trade of drugs, and ensure that the process of manufacturing and trading of drugs always meets all legal requirements. This means a stricter form of supervision is implemented comparing to the prior GMP certificates system. Helpson's production lines are subject to pilot inspections under the New Law.

We believe that GMP inspection only switches to another form, which includes flight inspection, drug production license inspection (for on-site management and quality system), as well as product inspection.

Product Liability and Consumers Protection

Product liability claims may arise if any of our pharmaceutical products have a harmful effect on a consumer, who may make a claim for damages or compensation as an injured party. The General Principles of the Civil Law of the PRC, which became effective in January 1987, stated that manufacturers and sellers of defective products causing property damage or injury shall incur civil liabilities for such damage or injuries. The Civil Code of the PRC, which came into force on January 1, 2021, stipulates that if damage is caused to others due to defects in products, the infringed can claim compensation from the manufacturer of the products or the seller of the products. If the defect is caused by the producer, the seller shall have the right to recover compensation from the producer. If the product is defective due to the fault of the seller, the producer shall have the right to recover from the seller after making compensation.

The Product Quality Law of the PRC was enacted in 1993 and amended in 2000 to strengthen the quality control of products and protect consumers' rights and interests. Under this law, manufacturers and distributors who produce or sell defective products may be subject to confiscation of earnings from such sales, revocation of business licenses and imposition of fines, and in severe circumstances, may be subject to criminal liability.

The Law of the PRC on the Protection of the Rights and Interests of Consumers was promulgated on October 31, 1993 and became effective on January 1, 1994 to protect consumers when they purchase or use goods or services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. In extreme situations, pharmaceutical product manufacturers and distributors may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

Other Regulations

In addition to the regulations relating to pharmaceutical industry in China, Helsen is subject to the regulations applicable to a foreign invested enterprise in China.

Foreign Currency Exchange. Pursuant to the Foreign Currency Administration Rules promulgated in 1996 and amended in 1997 and various regulations issued by the State Administration of Foreign Exchange, or the SAFE, and other relevant PRC government authorities, Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interests and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from the SAFE or its local counterpart for conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC.

Payments for transactions that take place within the PRC must be made in Renminbi. Unless otherwise approved, PRC companies other than foreign investment enterprises (FIEs) must convert foreign currency payments they receive from abroad into Renminbi. On the other hand, FIEs may retain foreign currency in accounts with designated foreign exchange banks, subject to a cap set by the SAFE or its local counterpart.

Dividend Distribution. Under the PRC regulations governing dividend distributions by wholly foreign-owned enterprises and Sino-foreign equity joint ventures, wholly foreign-owned enterprises and Sino-foreign equity joint ventures in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Additionally, these foreign-invested enterprises are required to set aside certain amounts of their accumulated profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends.

PCAOB Regulations

As auditors of companies that are traded publicly in the United States and a firm registered with the PCAOB, our auditor is required by the laws of the United States to undergo regular inspections by the PCAOB. We are required by the Holding Foreign Companies Accountable Act (“HFCAA”) to have an auditor that is subject to the inspection by the PCAOB. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, or AHFCAA, which proposes to reduce the period of time for foreign companies to comply with PCAOB audits from three to two consecutive years, thus reducing the time period before the securities of such foreign companies may be prohibited from trading or delisted. On December 29, 2022, the Consolidated Appropriations Act, 2023 (the “CAA”), which the AHFCAA forms a part, was signed into law, and it officially reduced the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two, thus, would reduce the time before an applicable issuer’s securities may be prohibited from trading or delisted. On December 16, 2021, the PCAOB issued a report to notify the SEC its determinations that it is unable to inspect or investigate completely registered public accounting firms headquartered in China and Hong Kong, respectively, and identifies the registered public accounting firms in China and Hong Kong that are subject to such determinations. Our auditor, B F Borgers CPA PC, is headquartered in Denver, Colorado and has been inspected by the PCAOB on a regular basis, with the last inspection year being 2023, and is therefore not subject to the determinations announced by the PCAOB on December 16, 2021. On August 26, 2022, the PCAOB announced and signed a Statement of Protocol (the “Protocol”) with the China Securities Regulatory Commission and the Ministry of Finance of the People’s Republic of China. On December 15, 2022, the PCAOB announced in the 2022 Determination its determination that the PCAOB was able to secure complete access to inspect and investigate accounting firms headquartered in mainland China and Hong Kong, and the PCAOB Board voted to vacate previous determinations to the contrary. Should the PCAOB again encounter impediments to inspections and investigations in mainland China or Hong Kong as a result of positions taken by any authority in either jurisdiction, including by the CSRC or the MOF, the PCAOB will make determinations under the HFCAA as and when appropriate. We cannot assure you whether NYSE American or other regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor’s audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach, or experience as it relates to the audit of our financial statements. There is a risk that the PCAOB is unable to inspect or investigate completely the Company’s auditor because of a position taken by an authority in a foreign jurisdiction or any other reasons, and that the PCAOB may re-evaluate its determinations as a result of any obstruction with the implementation of the Protocol. Such lack of inspection or re-evaluation could cause trading in the Company’s securities to be prohibited under the HFCAA ultimately result in a determination by a securities exchange to delist the Company’s securities. In addition, under the HFCAA, as amended by the AHFCAA, our securities may be prohibited from trading on the NYSE American or other U.S. stock exchanges if our auditor is not inspected by the PCAOB for two consecutive years, and this ultimately could result in our Common Stock being delisted by the NYSE American.

Employees

As of December 31, 2024, we had 231 employees, among which 224 employees were full-time employees and 7 employees were temporary employees. None of our employees is represented by a labor union and, in general, we consider our relationship with our employees to be good.

As required by applicable Chinese law, we have entered into employment contracts with substantially all of our officers, managers and employees. We are working towards entering into employment contracts with those employees who do not currently have employment contracts with us. The PRC enacted a new Labor Contract Law, which became effective on January 1, 2008. We have updated our employment contracts and employee handbook and are in compliance with such law.

ITEM 1A. RISK FACTORS.

Risk Factor Summary

The following are some material risks, any of which could have an adverse effect on our business financial condition, operating results, or prospects.

Risks Related to our Business and our Industry

- Our products' commercial success depends on market acceptance among the medical community; low acceptance would adversely affect operations and profitability
- Failure to meet Drug Administration Law standards could lead to production line suspensions, adversely affecting operations and profitability
- Product cessations or recalls initiated by us or the NMPA could impose significant costs and affect our revenue generation
- Failure to develop high-profit-margin products while existing high-margin products face competition could adversely affect our gross and net profit margins
- Our products face substantial competition; competitors may develop, acquire or commercialize products earlier or more successfully
- Most of our products are off-patent branded generics that can be manufactured and sold by other pharmaceutical manufacturers, increasing competition and reducing profitability
- Our business depends on our Helpson brand name; failure to maintain and enhance brand recognition could harm our reputation, business and operating results
- Lack of reimbursement for our products could diminish sales or affect our ability to sell profitably
- Our growth and success depend on successfully marketing our principal products to hospitals and their selection in tender processes
- Our future research and development projects may not be successful for various reasons including regulatory approvals
- We cooperate with research institutions and universities for R&D; any failure in these collaborations could adversely affect our business
- Regulatory approval for new products is uncertain; failure to obtain approvals could materially harm our business
- New product development is time-consuming, costly and has a low rate of successful commercialization
- We may not be able to successfully identify and acquire new products or businesses
- We rely on distributors for all revenues; failure to maintain these relationships would materially affect our business
- We rely on a limited number of distributors for the majority of sales
- Our operations may be affected if we cannot pass the Consistency Evaluation requirement for our existing products
- Our operations may be affected if we cannot obtain raw materials from current key suppliers on acceptable terms
- We may not be able to effectively manage our employees and distribution network, affecting our reputation, business, and brand
- We have limited insurance coverage and may incur losses from product liability claims, business interruptions, or claims covered by D&O Insurance
- Our future liquidity needs are uncertain and we may need to raise additional funds
- Failure to manage growth effectively could adversely affect our business, financial condition and results
- We depend on key employees and consultants in a competitive market; inability to attract and retain key personnel could affect our ability to develop and market products

- Power shortages, natural disasters, terrorist acts or other calamities could disrupt production and have a material adverse effect
- We cannot guarantee protection of our intellectual property rights; infringement or counterfeiting of our IP could affect our reputation and business

Risks Related to Doing Business in China

- Adverse changes in political and economic policies of the PRC government could affect economic growth and our competitive position
- The Chinese government may intervene with or influence our business at any time, negatively affecting our operations, listing status, and share value
- The PRC legal system has inherent uncertainties that could limit legal protections available to us
- You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC
- As a Foreign Invested Company in China, Helpson's ownership structure may be impacted by foreign investment regulations
- Receiving substantially all revenue in Renminbi, which is not freely convertible, subjects us to changes in the PRC's political and economic decisions
- We are subject to PRC environmental protection laws that may be costly to comply with and may affect manufacturing operations
- Failure to comply with PRC regulations regarding employee equity incentive plans may subject our PRC employees or us to fines and sanctions
- U.S. regulatory bodies may be limited in conducting investigations or inspections of our operations in China
- PRC regulation of loans to and direct investment in PRC entities by offshore holding companies may delay use of offering proceeds
- Complying with evolving cybersecurity, information security, privacy and data protection laws may be expensive and force adverse business changes
- The Holding Foreign Companies Accountable Act and related regulations could pose regulatory risks and restrictions
- PRC regulations on offshore special purpose companies by PRC residents may subject our PRC resident owners or our PRC subsidiary to liability
- Our ability to distribute dividends largely depends on dividends from our PRC operating entity, which may be limited by PRC laws
- Dividends payable to foreign investors and gain on sale of our shares may become subject to PRC taxes
- We face uncertainty regarding indirect transfers of equity interests in PRC resident enterprises by non-PRC holding companies
- The market price for our common stock may be volatile, potentially resulting in complete investment loss
- We may issue additional shares of capital stock to raise cash, diluting existing stockholders' percentage ownership
- We are likely to remain subject to "penny stock" regulations with additional sales practice requirements and SEC warnings
- We are responsible for indemnifying officers and directors under certain circumstances, potentially resulting in substantial unrecoverable expenditures
- We have identified material weaknesses in internal control over financial reporting, affecting reliable reporting and investor confidence
- There is substantial doubt about our ability to continue as a going concern
- We do not anticipate paying cash dividends on our common stock

Risks Related to our Business and our Industry

The commercial success of our products depends upon the degree of their market acceptance among the medical community. If our products do not attain market acceptance among the medical community, our operations and profitability would be adversely affected.

The commercial success of our products depends upon the degree of market acceptance they achieve within the medical community, particularly among physicians and hospital administrators. Physicians may not prescribe or recommend our products to patients and procurement departments of hospitals may not purchase our products if physicians or hospital pharmacists do not find our products attractive. The acceptance and use of our products among the medical community will depend upon a number of factors, including:

- perception of physicians, patients and others in the medical community as to the safety and effectiveness of our products;
- the prevalence and severity of any side effects;
- the pharmacological benefit of our products relative to competing products and products under development;
- the efficacy and potential advantages of our products relative to competing products and products under development;
- the relative convenience and ease of administration of our products;
- the methods by which our pharmaceutical products may be delivered to patients;
- the effectiveness of our education, marketing and distribution efforts and those of our distributors;
- publicity concerning our products or competing products and treatments; and
- the price of our products and competing products.

If we fail to meet standards pursuant to the Drug Administration Law, the production at certain of our production lines will be suspended and our operations and profitability would be adversely affected.

All of our existing production lines have met the GMP Standards which became effective as of March 1, 2011. On December 1, 2019 the Drug Administration Law (the “2019 Law”) came into effect. One of the major amendments of the 2019 Law is the cancellation of GMP certification. The 2019 Law eliminated the requirement that drug administration authorities shall assess drug manufacture enterprises and drug trading enterprises, and issue assessment certificates. Instead, it requires that drug manufacturing enterprises and drug trading enterprises establish and improve the quality management systems of manufacture and trade of drugs, and ensure that the process of manufacturing and trading of drugs always meets all legal requirements. This means a stricter form of supervision is implemented comparing to the prior GMP certificates system.

While all of our existing product lines are in full compliance with the GMP standards issued in 2011, in the event we fail to continually meet the requirements of the GMP and receive the deficiency feedback from any pilot inspection under the 2019 Law, the production on such production line(s) could be suspended and our operations and profitability could be adversely affected.

We may be subject from time to time to product cessations or recalls initiated by us or by the NMPA. Product cessations or recalls could impose significant costs on us and adversely affect our ability to generate revenue.

In our business, we must comply with a variety of product safety and product testing regulations. In particular, our products are subject to, among other statutes and regulations, those issued by the NMPA. If the NMPA issues any notices to cease the production, sale and use of any of our products, or request Helpson to recall any of our products we sold, we must comply with such requirements. As a result, we may incur significant costs in complying with cessation or recall requirements, and our financial results could be materially and adversely affected. Furthermore, concerns about potential liability or potential future changes in product safety regulations may lead us to voluntarily recall or otherwise discontinue selling selected products, which could materially and adversely affect our results of operations.

Recalls may also harm our reputation, increase our costs and reduce our net sales. Governments and regulatory agencies in the markets where we manufacture and sell products may enact additional regulations relating to product safety and consumer protection in the future or take other actions that may adversely impact our business. The NMPA has the authority to revoke drug approvals previously granted and remove previously approved products from the market for various reasons.

If we fail to develop new products with high profit margins and our high-profit-margin products are replaced by competitors' products, then our gross and net profits margins will be adversely affected.

We reported negative gross margins of -43.8% for the year ended December 31, 2024, a substantial deterioration from negative gross margins of -4.0% for the year ended December 31, 2023, indicating significant challenges in our cost structure and pricing environment. The main reasons for the increase in the gross loss rate were: the rise in idle equipment costs, the increase in inventory impairment provisions, and the significant decline in product sales. The pharmaceutical market in the PRC remains very competitive, and there may be pressure to reduce sale prices of products without a corresponding decrease in the cost of sold products. To the extent that we fail to develop new products with high profit margins and our high-profit-margin products are replaced by our competitors' products, our gross profit margins and net profit margins will be adversely affected. In addition, three of our products are included in the National Essential Drug List (the "EDL"), which are subject to strict governmental price controls. Therefore, our gross profit margin and net profit margins could be adversely affected notwithstanding any increase in our revenues.

Our products face substantial competition. Other companies may discover, develop, acquire or commercialize products earlier or more successfully than we do.

We operate in a highly competitive environment. Our products compete with other products or treatments for diseases that treat similar medical conditions. Many of our products may compete against products that have lower prices, superior performance, greater ease of administration or other advantages. We would face enhanced competition if competitive products are added to the National Medical Insurance Program. Our inability to compete effectively could reduce sales or margins, which could have a material adverse effect on our results of our operations.

Some of our competitors are actively engaging in research and development in areas in which we have products or in which we are developing new product or new indications for existing products. In the future, we expect that our products will compete with new drugs currently in development, drugs approved for other indications that may be approved for the same indications as those of our products and drugs approved for other indications that are used off-label. If alternatives to our products are dispensed or prescribed to patients, the volume of our products sold may decline or we may be required to lower the prices of our products to remain competitive, either of which could negatively impact our sales. In addition, an increasing number of foreign pharmaceutical companies have introduced their pharmaceutical products into the Chinese market. Competitive products introduced by these companies can also negatively impact our sales and results of operations.

Large Chinese state-owned and privately owned pharmaceutical companies and foreign-invested or foreign pharmaceutical companies may have greater clinical, research, regulatory, manufacturing, marketing, financial and human resources than we do. In addition, some of our competitors may have technical or competitive advantages over us with respect to the development of technologies and processes. These resources may make it difficult for us to compete with them to successfully discover, develop and market new products and for our current products to compete with new products or new product indications that these competitors may bring to market. There may also be significant consolidation in the pharmaceutical industry among our competitors. Alliances may develop among competitors, and these alliances may rapidly acquire significant market share.

Furthermore, in order to gain market share in China, competitors may significantly increase their advertising expenditures and promotional activities or even engage in irrational or predatory pricing behavior. In addition, our competitors may engage in inappropriate competition or illegal acts, such as bribery. Third parties may actively engage in activities designed to undermine our brand name and product quality or to influence customer confidence in our products. Increased competition may result in price reductions, reduced margins and loss of market share, any of which could materially adversely affect our profit margins. We may not be able to compete effectively against current and future competitors.

Most of our products are off-patent branded generics that can be manufactured and sold by other pharmaceutical manufacturers in the PRC which may increase the competition we face and reduce our business profitability.

Most of our products are off-patent branded generic pharmaceuticals and are not protected by intellectual property rights. As a result, other pharmaceutical companies may sell equivalent products at a lower cost, and this might result in a commensurate loss in sales of our branded generic products or require us to lower our prices to compete. If other pharmaceutical companies sell pharmaceutical products that are similar to our unprotected products, we may face additional competition and our business and profitability may be adversely affected.

Our business depends in part on our well-known Helpson brand name, and if we are not able to maintain and enhance our brand recognition to maintain our competitive advantage, our reputation, business and operating results may be harmed.

We believe that market awareness of our Helpson brand has contributed significantly to the success of our business. We also believe that maintaining and enhancing the Helpson brand is critical to maintaining our competitive advantage. Although our sales and marketing staff will continue to further promote our brand to remain competitive, we may not be successful. If we are unable to further enhance our brand recognition and increase awareness of our products, or if we are compelled to incur excessive marketing and promotion expenses in order to maintain our brand awareness, our business and results of operations may be materially and adversely affected. Furthermore, our sales and results of operations could be adversely affected if the Helpson brand or our reputation is impaired by recalls or negative publicity for one of our branded products, or certain actions taken by our distributors, competitors, third-party marketing firms or relevant regulatory authorities.

Reimbursement may not be available for our products, which could diminish our sales or affect our ability to sell our products profitably.

Market acceptance and sales of our products also depend on a large extent on the reimbursement policies of the PRC government. The Ministry of Labor and Social Security of the PRC or provincial or local labor and social security authorities, together with other government authorities, review the inclusion or removal of drugs from the national medical insurance catalog or provincial or local medical insurance catalogs for the National Medical Insurance Program every other year, and catalogs under which a drug will be classified affect the amounts reimbursable to program participants for their purchases of those medicines. These determinations are made based on a number of factors, including price and efficacy. Generally, there are two catalogs, the National Insurance Catalogue (“NIC”) and the EDL on which a product can be included. The products selected for the EDL generally are selected from the NIC. A consumer can be reimbursed for the full cost of a medicine on the EDL and can be reimbursed from 80% to 90% of the cost of a medicine listed on the NIC. Our Cefalexin, Clarithromycin and Omeprazole products are currently included in the EDL. If government authorities decide to remove these products from the medicine catalogs, such removal may reduce the affordability of our products and change the public perception regarding our products, which, in turn, would adversely affect the sales of these products and reduce our net revenue. Furthermore, if we are unable to obtain approval from the relevant government authorities to include our new products in the national, provincial or local medicine EDLs or NICs, sales of our new products maybe materially and adversely affected.

The growth and success of our business depend on our ability to successfully market our principal products to hospitals and their selection in tender processes used by hospitals for medicine purchases.

Our future growth and success significantly depend on our ability to successfully market our principal products to hospitals as prescription medicines. Approximately 80% of the end-customers of our products are hospitals. Hospitals may make bulk purchases of a medicine included in the national and provincial medicine catalogs only if that medicine is selected under a government-administered tender process. A hospital’s interest in a particular medicine is evidenced by:

- the inclusion of this medicine on the hospital’s formulary, which establishes the scope of medicines physicians at this hospital may prescribe to their patients, and
- the willingness of physicians at a hospital to prescribe this medicine to their patients.

We believe effective marketing efforts are critical in ensuring that hospitals and physicians are interested in purchasing our products. If our marketing efforts are not effective, hospital administrators may not want to include our products in their formularies or may remove them from their formularies, or physicians may not be interested in prescribing our products to their patients. As a result, we may find it difficult to maintain the existing level of sales of our products, and our revenues and profitability may decline.

Our future research and development projects may not be successful.

The successful development of pharmaceutical products can be influenced by many factors. Products that appear to be promising in their early phases of research and development may fail to be commercially viable for various reasons, such as failing to obtain the necessary regulatory approvals. Additionally, the research and development process for new products for which we may obtain an approval certificate is long. The process of conducting basic research and various stages of tests and trials of a new product before obtaining an approval certificate and commercializing the product may require ten years or longer. A few of our product candidates are in the early stages of pre-clinical study and clinical trials and we must conduct a significant number of additional clinical trials before we can seek the regulatory approvals necessary to begin commercial production and sales of these products. We cannot guarantee that our future research and development projects will be successful or completed within their anticipated time frames or budgets, or that we will receive the necessary approvals from the relevant authorities for the production of these products, or that these newly-developed products will achieve commercial success.

Our competitors may obtain approval for a competitive product before our product we are developing is approved. If this occurs, we may be precluded from getting approval until the competitor's monitoring period expires and realize little to no benefit from our research and development investment.

Even if such products can be successfully commercialized, they may not achieve the level of market acceptance that we expect. Additionally, the pharmaceutical industry is characterized by rapid changes in technology, constant enhancements of industry know-how and the frequent emergence of new products. Future technological improvements and continual product developments in the pharmaceutical market may render our existing products obsolete or affect their viability and competitiveness. Therefore, our future success will largely depend on our development capability, including our ability to improve our existing products, diversify our product range and develop new and competitively-priced products that meet the requirements of the changing market. Should we fail to respond to these frequent technological advances by failing to improve our existing products, develop new products in a timely manner, or have these products reach a desirable level of market acceptance, our business and profitability will be materially and adversely affected.

We cooperate with research institutions and universities in the PRC for the research and development of certain new products and any failure of such research institutions to meet our timing and quality standards may pose impairment loss on our financial results and our failure to continue such collaborative arrangement or enter into such new arrangements could adversely affect our ability to develop new pharmaceuticals and our overall business prospects.

Our business strategy includes collaborating with third parties for the research and development of new products. We have maintained long-term cooperative relationships with a number of research institutions and universities in the PRC. These research institutions and universities used to collaborate with us in a number of research projects and certain of our products with approval certificates were developed by such research institutions. Any failure of such research institutions to meet the required quality standards and timetables set forth in their research agreements with us, or our inability to enter into additional research agreements with these research institutions on terms acceptable to us in the future, may have an adverse effect on our ability to develop new medicines and on our business prospects.

While the Company may resume the development of these formulas in the future if sufficient funding and other favorable conditions arise, we cannot guarantee that we will be able to enter into agreements with new parties on terms acceptable to us. Our inability to enter into such agreements or our failure to maintain such arrangements could limit the number of new products that we develop and ultimately decrease our sources of future revenue.

We may not be able to obtain regulatory approval for any of the new products and failure to obtain these approvals could materially harm our business.

All new medicines must be approved by the NMPA before they can be marketed and sold in the PRC. The NMPA requires successful completion of clinical trials and demonstrated manufacturing capability before it grants approval. It often takes a number of years before a medicine can be ultimately approved by the NMPA. In addition, the NMPA and other regulatory authorities may apply new standards for safety, manufacturing, packaging, and distribution of future product candidates.

Complying with such standards may be time-consuming and expensive and could result in delays in obtaining NMPA approval for our future product candidates, or possibly preclude us from obtaining NMPA approval altogether. For example, due to the enhanced criteria introduced during the implementation process of the trial of one of our products in the dried powder injectable and granule production lines in our old plant, the clinical trials lasted longer than originally expected. Furthermore, our future products may not be effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude us from obtaining regulatory approval and prevent or limit their commercial use. The NMPA and other regulatory authorities may not approve the products that we develop and even if we do obtain regulatory approvals, such regulatory approvals may be subject to limitations on the indicated uses for which we may market a product, which may limit the size of the market for such product.

New product development in the pharmaceutical industry is time-consuming and costly and has a low rate of successful commercialization.

Our success depends in part on our ability to improve our existing products and to develop new products. The development process for pharmaceutical products is complex and uncertain, as well as time-consuming and costly. Relatively few research and development programs can finally develop a commercial product. A product candidate that appears promising in the early phases of development may fail to reach the market for a number of reasons, such as:

- the failure to demonstrate safety and efficacy in preclinical and clinical trials;
- the failure to obtain approvals for intended use from relevant regulatory bodies, such as the NMPA;

- our inability to manufacture and commercialize sufficient quantities of the product economically; and
- proprietary rights, such as patent rights, held by others to our product candidates and their refusal to sell or license such rights to us on reasonable terms, or at all.

Delays in any part of the development process or our inability to obtain regulatory approval of our products could adversely affect our operating results by restricting or delaying our introduction of new products. Even if we successfully commercialize new products, these products may compete with our mature products and may result in a reduction in the sales volume of our mature product or vice versa. Failure to develop, obtain necessary regulatory clearances or approvals for or successfully commercialize or market potential new products or technologies could have a material adverse effect on our financial condition and results of operations.

We may not be able to successfully identify and acquire new products or businesses.

In addition to our own product development efforts, our growth strategy also relies on our acquisitions of new product candidates, products or businesses from third parties. Any future growth through acquisitions will be dependent upon the continued availability of suitable acquisition candidates at favorable prices and favorable terms and conditions. Even if such opportunities present themselves, we may not be able to successfully identify them. Moreover, other companies, many of which may have substantially greater financial, marketing and sales resources, are competing with us for the right to acquire such product candidates, products or businesses.

We rely on distributors for all of our revenues and failure to maintain relationships with and collect payment from, our distributors or to otherwise expand our distribution network would materially and adversely affect our business.

We sell our products exclusively to pharmaceutical distributors in the PRC and rely on distributors for all of our revenues. We have business relationships with certified distributors in the PRC. For the year ended December 31, 2024, no customer accounted for more than 10.0% of sales, and three customers accounted for 63.7%, 13.7% and 6.3% of accounts receivable. In line with industry practices in the PRC, we enter into written sales agreements with our distributors. However, such sales agreements are not in substance equivalent to a typical distribution agreement in the United States. Each sales agreement is more in the form of a sales order and specifies one or several purchases of one or more products without any continuing obligation to purchase any additional amount of products. There are no written contracts between the Company and any of its distributors requesting the distributors to pay the Company's account receivable upon their receipt of funds from its customers, or state-owned hospitals. Pharmaceutical distributors typically process the payment of the account receivable to the Company upon their receipt of payment from their customers, i.e., the state-owned hospitals, as a matter of implied consensus. In the event the length of collection term is deviated from any of the past pattern of any particular customer, the Company will adjust its credit term. Any potential default in repaying the accounts receivable without recourse by the Company may materially and negatively affect the Company's profitability and business. In the event certain distributors choose not to continue their relationship with us after completing their existing sales agreements, they can do so without breaching any contract or agreement, our financial results could be adversely affected if we cannot find the substantially similar distributors in time under such circumstances. In addition, some of our distributors may sell products that compete with our products. We compete for desired distributors with other pharmaceutical manufacturers, many of which may have higher visibility, greater name recognition, financial resources, and broader product selection than we do. Consequently, maintaining relationships with existing distributors and replacing distributors may be difficult and time-consuming. Any disruption of our distribution network, including our failure to renew our existing distribution agreements with our desired distributors, could negatively affect our ability to effectively sell our products and would materially and adversely affect our business, financial condition and results of operations.

We rely on a limited number of distributors for the majority of sales of our products.

We rely on a limited number of distributors for most of our net revenue. Our top five distributors in aggregate accounted for 24% and 22% of our net revenues in 2024 and 2023, respectively. We expect that a relatively small number of distributors will continue to account for a major portion of our net revenue in the near future. Our dependence on a few distributors may expose us to the risk of substantial losses if a single large distributor stops purchasing our products, purchases lower quantities of our products or goes out of business and we cannot find substitute distributors on equivalent terms. If any of our large distributors reduces the quantity of the products they purchase from us or stops purchasing from us, our net revenue would be materially and adversely affected.

Our operations may be affected if we could not pass the Consistency Evaluation requirement issued by the State Council for any of our current existing products.

Generic drugs refer to drugs with the same active ingredient, dosage form, delivery channel and therapeutic effects compared to the original drugs. The “Consistency Evaluation” requires currently marketed generic products to prove their consistency in term of quality and therapeutic effect, and substitutability during clinical trials with original drug. The Consistency Evaluation could enhance the development of pharmaceutical industry, ensure drug safety and effectiveness, promote the upgrading and restructuring the pharmaceutical industry, and improve international competitiveness. Both *Relevant Matters Related to the Implementation of the Opinions of the General Office of the State Council on the Consistent Evaluation of the Quality and Efficacy of Generic Drugs* (No. 106 of 2016) issued on May 26, 2016, and *Announcement of the General Administration on the Consistency Evaluation of the Quality and Efficacy of Generic Drugs* (No. 100 of 2017) issued on August 28, 2017 require that if a drug has more than 3 manufacturers passed the consistency evaluation, then the drug manufacturers without consistency evaluation valid status will have no access to participate in the drug Centralized Procurement. NMPA issued an official document on *The Implementation of the Evaluation of the Quality and Efficacy of Chemical Injection Generics* on May 14, 2020, requiring consistent evaluation for generics of pharmaceutical injections that are already on the market. If we fail to complete the consistency evaluations for our generic drugs per the government’s requirements, our business and operation will be negatively impacted.

Our operations may be affected if we could not obtain raw materials from our current key suppliers on acceptable terms.

We need a supply of a wide variety of raw materials to manufacture our products. Currently, we rely on numerous suppliers in the PRC and overseas to deliver our required raw materials. We have at least three principal suppliers for each of our most critical raw materials. For the year ended December 31, 2024, three suppliers accounted for 22.9%, 21.3% and 14.6% of raw material purchases and for the year ended December 31, 2023, three suppliers accounted for 17.7%, 13.8% and 9.1% of raw material purchases.

Historically, we have not had difficulty obtaining raw materials from suppliers. However, we cannot assure in the future we will not encounter any difficulty in obtaining the supplies, nor can we predict the impact on our suppliers of the current economic environment and other developments in their respective businesses, either. Insolvency, financial difficulties or other factors may result in our suppliers not being able to fulfill the terms of their agreements with us. Furthermore, such factors may render suppliers unwilling to extend contracts that provide favorable terms to us or may force them to seek to renegotiate existing contracts. Although we believe we have alternative sources of supply for the raw materials used in our business, termination of our relationships with any of our key suppliers could have a material adverse effect on our business, financial condition or results of operations in the unlikely event that we are unable to obtain adequate raw materials from other sources in a timely manner or at all.

We may not be able to effectively manage our employees and distribution network, and our reputation, business, prospects and brand may be materially and adversely affected by actions taken by our distributors and third party marketing firms.

We have limited ability to manage and control the activities of our independent distributors and third-party marketing firms that we contract to promote our products and brand name, therefore, our reputation, business, prospects and brand may be materially and adversely affected by actions taken by them. Our distributors and third-party marketing firms could take one or more of the following actions, any of which could have a material adverse effect on our business, prospects and brand:

- sell our products outside their designated territory, possibly in violation of the exclusive distribution rights of other distributors;
- fail to adequately promote our products;
- promote competing products in lieu of our products; or
- violate the anti-corruption laws of China, the United States or other countries.

Additionally, although our company policies prohibit our employees from making improper payments to hospitals or otherwise engaging in improper activities to influence the procurement decisions of hospitals, we may not be able to effectively manage our employees, as the compensation of our sales and marketing personnel is partially linked to their sales performance. As a result, we cannot assure you that our employees will not violate the anticorruption laws of the PRC, the United States and other countries. Such violations could have a material adverse effect on our reputation, business, prospects and brand.

Failure to adequately manage our employees, distribution network or third-party marketing firms, or their non-compliance with employment, distribution or marketing agreements could harm our corporate image among hospitals and end users of our products and disrupt our sales, resulting in a failure to meet our sales goals. Furthermore, we could be liable for actions taken by our employees, distributors or third-party marketing firms, including any violations of applicable law in connection with the marketing or sale of our products, including China's anticorruption laws and the Foreign Corrupt Practices Act of the United States, or the FCPA. In particular, if our employees, distributors or third-party marketing firms make any payments that are forbidden under the FCPA, we could be subject to civil and criminal penalties imposed by the U.S. government.

Recently, the PRC government has increased its anti-corruption measures. In the pharmaceutical industry, corrupt practices include, among others, acceptance of rebates, bribes or other illegal gains or benefits by hospitals and medical practitioners from pharmaceutical manufacturers and distributors in connection with the prescription of certain pharmaceuticals. Our employees, affiliates, distributors or third-party marketing firms may violate these laws or otherwise engage in illegal practices with respect to their sales or marketing of our products or other activities involving our products. If our employees, affiliates, distributors or third-party marketing firms violate these laws, we could be required to pay damages or fines, which could materially and adversely affect our financial condition and results of operations. In addition, PRC laws regarding the types of payments to promote or sell our products that are impermissible are not always clear. As a result, we, our employees, affiliates, our distributors or third-party marketing firms could make certain payments in connection with the promotion or sale of our products or other activities involving our products which at the time could be reasonably determined to be legal but are later deemed impermissible by the PRC government. Furthermore, our brand and reputation, our sales activities or the price of our common stock could be adversely affected if we become the target of any negative publicity as a result of actions taken by our employees, affiliates, distributors or third-party marketing firms.

We have limited insurance coverage and may incur losses resulting from product liability claims, business interruptions or claims that could be covered by D&O Insurance.

The nature of our business exposes us to the risk of product liability claims that is inherent in the research and development, manufacturing and marketing of pharmaceutical products. Using product candidates in clinical trials also exposes us to product liability claims. These risks are greater for our products that receive regulatory approval for commercial sale. Even if a product is approved for commercial use by an appropriate governmental agency, there can be no assurance that users will not claim effects other than those intended resulted from the use of our products. While no material claim for personal injury resulting from allegedly defective products has been brought against us to date, a substantial claim or a substantial number of claims, if successful, could have a material adverse impact on our business, financial condition and results of operations. Such lawsuits may divert the attention of our management from our business strategies, may be costly to defend and may negatively impact our reputation and our Helpson brand's reputation, and may harm the sales of our other branded products. In addition, product liability insurance for pharmaceutical products is not available in the PRC. In the event of allegations that any of our products are harmful, we may experience reduced consumer demand for our products or our products may be recalled from the market. We may also be forced to defend lawsuits and, if unsuccessful, to pay a substantial amount in damages, legal fees, and other related expenses. In addition, business interruption insurance available in the PRC offers limited coverage compared to that offered in many other countries. We do not have any business interruption insurance. Any business disruption or natural disaster could result in substantial costs and diversion of resources. Lastly, we currently do not have directors and officers insurance. In the event we or any of our directors or officers are sued under any proceedings or actions that could be covered by a standard D&O insurance, we may incur substantial costs and expenses to defend such case.

Our future liquidity needs are uncertain and we may need to raise additional funds in the future.

Based on our current operating plans, we expect our existing resources to be sufficient to fund our existing operations for at least 12 months. However, we may need to raise additional funds to expand our operations. In addition, we may need to raise additional funds if our expenditures exceed our current expectations. This could occur for a number of reasons, including:

- we decide to devote significant amount of financial resources to the development of products that we believe to have significant commercialization potential;
- we decide to acquire or license rights to additional product candidates or new technologies;
- some of our product candidates fail in clinical trials or pre-clinical studies or prove not to be as commercially promising as we expected, and we are forced to develop or acquire additional product candidates;
- Some of our product candidates require more extensive clinical or pre-clinical testing or clinical trials for these product candidates take longer to complete than we currently expect; or
- we decide or are required to conduct more high-throughput screening than expected against current or additional disease targets to develop additional product candidates.

Our ability to raise additional funds in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital-raising activities by pharmaceutical companies; and
- economic, political and other conditions in China and elsewhere.

We cannot assure you that our revenues will be sufficient to meet our operational needs and capital requirements. If we need to obtain external financing, we cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. Our future liquidity needs and other business reasons could require us to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could result in additional dilution to our stockholders. The incurrence of additional indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations.

The failure to manage growth effectively could have an adverse effect on our business, financial condition and results of our operations.

The rapid market growth of our pharmaceutical products may pose more requirements or more costs on the employment management for managerial, operational, financial and other purposes. As of December 31, 2023, we had 231 employees. To keep up with the rapid development of the Chinese pharmaceutical industry, it will impose significant responsibilities upon the members of management to identify, recruit, maintain, integrate and motivate new and old employees. In addition, we may need to increase the salary, or the equity incentive plan for the employees to keep them in the Company. Aside from the increased difficulties and increased costs in the management of human resources, we may also encounter working capital issues, as we need increased liquidity to finance the purchases of raw materials and supplies, drug formulas for new products, investment in research and development, acquisition of new businesses and technologies. Our failure to manage any of the above business administration may lead to operational and financial inefficiencies that will have a negative effect on our profitability.

We depend upon key employees and consultants in a competitive market for skilled personnel. If we are unable to attract and retain key personnel, it could adversely affect our ability to develop and market our products.

We are highly dependent upon the principal members of our management team, especially Ms. Zhilin Li, our Chairperson, President and Chief Executive Officer. We cannot guarantee that Ms. Li will stay in the Company in the long run, and the loss of Ms. Li's services would adversely affect our ability to develop and market our products. We also depend in part on the continued services of our key scientific personnel and our ability to identify, hire and retain additional personnel, including marketing and sales staff. We face intense competition for qualified personnel, and the existence of noncompetition agreements between prospective employees and their former employers may prevent us from hiring those individuals or subject us to suit from their former employers. While we attempt to provide competitive compensation packages to attract and retain key personnel, many of our competitors are likely to have greater resources and more experience than we have, making it difficult for us to compete successfully for key personnel.

Certain of our employees and consultants were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors, or at universities or other research institutions. Although there is currently no claim against us, we may be subject to claims that these employees or consultants have, inadvertently or otherwise, used or disclosed trade secrets or other proprietary information of their former employers. It may be necessary for us to litigate and defend against these claims. Even if we successfully defend against these claims, litigation could result in substantial costs and be a distraction to our management. If we fail to defend such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel.

Power shortages, natural disasters, terrorist acts or other calamities could disrupt our production and have a material adverse effect on our business, financial position and results of operations.

All of our products are produced at our manufacturing facility in Hainan, China, which is exposed to certain natural disasters such as typhoons. A significant disruption at that facility, even on a short-term basis, could impair our ability to timely produce and ship products, which could have a material adverse effect on our business, financial position and results of operations. Our manufacturing operations are vulnerable to interruption and damage from natural and other types of disasters, including earthquake, fire, floods, environmental accidents, power loss, communications failures and similar events. If any disaster were to occur, our ability to operate our business at our facilities would be seriously impaired.

In addition, we do not maintain any insurance other than property insurance for some of our buildings, vehicles and equipment. Accordingly, unexpected business interruptions resulting from disasters could disrupt our operations and thereby result in substantial costs and diversion of resources. Our production process requires a continuous supply of electricity. We have encountered power shortages historically due to restricted power supply to industrial users during summers when the usage of electricity is high and supply is limited or as a result of damage to the electricity supply network. Because the duration of those power shortages was brief, they had no material impact on our operations. Longer interruptions of electricity supply could result in lengthy production shutdowns, increased costs associated with restarting production and the loss of production in progress. Any major suspension or termination of electricity or other unexpected business interruptions could have a material adverse impact on our business, financial condition and results of operations.

We cannot guarantee the protection of our intellectual property rights, and if infringement or counterfeiting of our intellectual property rights occurs, then our reputation and business may be adversely affected.

To protect the brand names of our products, we have registered and applied for registration of certain of our trademarks in the PRC. Currently eight of the 19 pharmaceutical products we manufacture are marketed under a brand registered as a trademark in China. We also purchased six pharmaceutical compounds from certain third parties that we are seeking to develop into a further product. To date, we have not experienced any infringements of our trademarks for sales of pharmaceutical products or our exclusive patent license, and we are not aware of any infringement of our intellectual property rights. However, there is no guarantee that there will not be any infringements of our brand name or other registered trademarks or counterfeiting of our products in the future. There is no guarantee that there will not be any third-party infringement of our patents. Should any such infringement or counterfeiting occur, our reputation and business may be adversely affected. We may also incur significant expenses and substantial amounts of time and effort to protect our intellectual property rights in the future. Such diversion of our resources may adversely affect our existing business and future expansion plans.

Litigation may be necessary in the future to enforce our intellectual property rights or to determine the validity and scope of the intellectual property rights of others. However, because the validity, enforceability and scope of protection of intellectual property rights in the PRC are uncertain and still evolving, we may not be successful in prosecuting these cases. In addition, any litigation or proceeding or other efforts to protect our intellectual property rights could result in substantial costs and diversion of our resources and could seriously harm our business and operating results. Furthermore, the degree of future protection of our proprietary rights is uncertain and may not adequately protect our rights or permit us to gain or keep our competitive advantage. If we are unable to protect our trade names, trade secrets and other propriety information from infringement, our business, financial condition and results of operations may be materially and adversely affected.

Risks Related to Doing Business in China

Adverse changes in political and economic policies of the PRC government could have a material and adverse effect on the overall economic growth of China, which could reduce the demand for our services and materially and adversely affect our competitive position.

We conduct substantially all of our business and have historically derived all of our revenues in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including:

- the degree of government involvement;
- the level of development;
- the growth rate;
- the control of foreign exchange;
- access to financing; and
- the allocation of resources.

While the Chinese economy has experienced significant growth in the past 30 years, growth has been uneven, both geographically and among various sectors of the economy. The Chinese economy has also experienced certain adverse effects due to the recent global financial crisis. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on us. For example, our operating results and financial condition may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us, and by government policies or guidance aimed at curtailing the perceived over-capacity of certain industry sectors, such as pharmaceutical companies. The Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which could in turn reduce the demand for our products and materially and adversely affect our operating results and financial condition.

China's economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, Chinese government still has substantive power to certain areas that may be related to the business operations of our operating entities, such as the right to use land, price of certain of our products, and it could materially and adversely affect our business.

Any adverse change in the economic conditions or government policies in China could have a material and adverse effect on overall economic growth and the level of investments in health industries in China, which in turn could lead to a reduction in demand for our products and consequently have a material and adverse effect on our business.

The Chinese government may intervene with or influence our business at any time. That may negatively influence our operation, our ability to continue listing on U.S. exchange and the value of our shares may significantly decline or be worthless, which would materially affect the interest of our stockholders.

The Chinese central or local governments may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof, and could require us to divest ourselves of any interest we then hold in Chinese properties.

As such, our business segments may be subject to various government and regulatory interference in the provinces in which they operate. The Company could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. The Company may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. The Chinese government may intervene with or influence our operations at any time with little advance notice, which could result in a material change in our operations and in the value of our shares.

The PRC legal system has inherent uncertainties that could limit the legal protections available to us.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which legal cases have little precedential value. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing commercial matters. The overall effect of legislation enacted over the past 20 years has significantly enhanced the protections afforded to foreign-invested enterprises in China. However, these laws, regulations and legal requirements are relatively recent and are evolving rapidly, and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to foreign investors.

The practical effect of the PRC legal system on our business operations in China can be viewed as two separate but intertwined considerations. First, as a matter of substantive law, the Foreign Invested Enterprise laws provide significant protection to keep the Company from government interference. In addition, these laws guarantee the full benefit of corporate articles and contracts to foreign invested enterprise participants. These laws, however, do impose standards concerning corporate formation and governance that are not qualitatively different from the corporation laws found in the United States. Similarly, PRC accounting laws mandate accounting practices that may not be consistent with the U.S. generally accepted accounting principles. PRC accounting laws require that an annual “statutory audit” be performed in accordance with PRC accounting standards and that the account books of a foreign invested enterprise be maintained in accordance with PRC accounting laws. Article 14 of the PRC Wholly Foreign-Owned Enterprise Law requires a wholly foreign-owned enterprise to submit certain periodic fiscal reports and statements to designated financial and tax authorities. If a foreign-invested enterprise refuses to keep account books in China, the financial and tax authorities may impose a fine on it, and the industry and commerce administration authority may order it to suspend operations or may revoke its business license.

Second, while the enforcement of substantive rights may be less clear than United States procedures, foreign-invested enterprises and foreign wholly-owned enterprises are PRC registered companies that enjoy the same status as other PRC registered companies in business-to-business dispute resolutions. The PRC legal infrastructure, however, is significantly different in operation from its United States counterpart, and may present a significant impediment to the operation of a foreign invested enterprise.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC against our company or our management based on U.S. or other foreign laws.

Our operating subsidiary, Helpson, is incorporated under the laws of the PRC and substantially all of our assets are located in the PRC. Additionally, substantially all of our directors, executive officers and managers reside within the PRC, and substantially all assets of these persons are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon certain of our directors, executive officers or managers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, and many other countries. As a result, recognition and enforcement in the PRC of judgments of a court in the United States and any of the other jurisdictions in relation to any matter may be difficult or impossible. Furthermore, an original action may be brought in the PRC against us, our directors, executive officers or managers only if the actions are not required to be arbitrated by PRC law under Helpson's articles of association, and only if the facts alleged in the complaint give rise to a cause of action under PRC law. In connection with any such original action, a PRC court may impose civil liability, including monetary damages.

As a Foreign Invested Company in China, Helpson's ownership structure may be impacted by the foreign investment regulation and its measures in China.

In accordance with Decree No. 723 of the State Council of the People's Republic of China issued on December 26, 2019, the Regulations on the Implementation of the Foreign Investment Law of the People's Republic of China came into force on January 1, 2020. On December 28, 2020, the National Development and Reform Commission and the Ministry of Commerce publicly released the Directory of Industries to Encourage Foreign Investment (Encouraged Catalogue) (2020 Edition). On December 27, 2021, the National Development and Reform Commission of China ("NDRC") and the Ministry of Commerce ("MOFCOM") jointly issued the Special Administrative Measures for Foreign Investment Access (Negative List) (2021 Edition), and the Special Administrative Measures for Foreign Investment Access in Pilot Free Trade Zones (Negative List) (2021 Edition), effective January 1, 2022. As per these policies, the national negative list of foreign investment access was reduced from 33 to 31, and the negative list of foreign investment access in the FTZ was reduced from 30 to 27. Industries listed in the 2020 Encouraged Catalogue are the encouraged industries. On the other hand, industries listed in the 2021 Negative List are subject to special management measures. For example, establishment of wholly foreign-owned enterprises is generally allowed in industries outside of the 2021 Negative List. Also, foreign investors are not allowed to invest in industries that are expressly prohibited in the 2021 Negative List. The industries that are not expressly prohibited in the Negative List are still subject to government approvals and certain special requirements.

The majority of pharmaceutical manufacturing industry including the segments under which the Company conducts its business is not included in the 2021 Negative List. Helpson manufactures and markets generic and branded pharmaceutical products as well as biochemical products primarily to hospitals and private retailers located throughout the PRC. The Company believes Helpson's business is not subject to any ownership restrictions prescribed under the Catalogue. Onny acquired 100% of the ownership in Helpson on May 25, 2005, by entering into an Equity Transfer Agreement with Helpson's three former shareholders. The transaction was approved by the Commercial Bureau of Hainan Province on June 12, 2005 and Helpson received the Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC on the same day. Helpson received its business license evidencing its WFOE (Wholly Foreign Owned Enterprise) status on June 21, 2005. However, in the event the 2021 Negative List is amended in the future to include any of the business Helpson is operating, our ownership structure could be subject to change to the extent our structure is not given any "grandfather" protection.

Because we receive substantially all of our revenue in Renminbi, which currently is not a freely convertible currency, and the PRC government controls the currency conversion and the fluctuation of the Renminbi, we are subject to changes in the PRC's political and economic decisions.

We receive substantially all of our revenues in Renminbi, which currently is not a freely-convertible currency. The PRC government may, at its discretion, restrict access in the future to foreign currencies for current account transactions. Any future restrictions on currency exchanges may limit our ability to use revenue generated in Renminbi to fund any future business activities outside China or to make dividend or other payments in U.S. dollars. Although the Chinese government introduced regulations in 1996 to allow greater convertibility of the Renminbi for current account transactions, significant restrictions still remain, including primarily the restriction that foreign-invested enterprises may only buy, sell or remit foreign currencies, after providing valid commercial documents, at those banks authorized to conduct foreign exchange business. In addition, conversion of Renminbi for capital account items, including direct investment and loans, is subject to governmental approval in China, and companies are required to open and maintain separate foreign exchange accounts for capital account items.

We cannot be certain that the Chinese regulatory authorities will not impose more stringent restrictions on the convertibility of the Renminbi, especially with respect to foreign exchange transactions.

Fluctuation in the value of the Renminbi may have a material and adverse effect on your investment. The change in value of the Renminbi against the U.S. dollar is affected by, among other things, changes in PRC's political and economic conditions. From 1995 until July 2005, the People's Bank of China intervened in the foreign exchange market to maintain an exchange rate of approximately Renminbi 8.3 per U.S. dollar. On July 21, 2005, the PRC government changed this policy and began allowing modest appreciation of the Renminbi versus the U.S. dollar. Under the new policy, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy caused the Renminbi to appreciate approximately 21.5% against the U.S. dollar over the following three years. As a consequence, the Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. It is difficult to predict how long the current situation may last and when and how it may change again. There is significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant appreciation in the value of the Renminbi against the U.S. dollar. Significant revaluation of the Renminbi may have a material adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars we receive from securities offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our common stock or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. In August 2015, the PRC Government devalued its currency by approximately 3%, represented the largest yuan depreciation for 20 years. Concerns remain that China's slowing economy, and in particular its exports, will need a stimulus that can only come from further cuts in the exchange rate.

In addition, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. The income statements of our operations are translated into U.S. dollars at the average exchange rates in each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currencies denominated transactions results in reduced revenue, operating expenses and net income for our international operations. Similarly, to the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions results in increased revenue, operating expenses and net income for our international operations. We are also exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign subsidiaries into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign subsidiaries' financial statements into U.S. dollars will lead to a translation gain or loss, which is recorded as a component of other comprehensive income. Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all.

We are subject to the environmental protection laws of the PRC that may be costly to comply with and may adversely affect our manufacturing operations.

Our manufacturing process may produce by-products, such as effluent, gases and noise, which are harmful to the environment. We are subject to multiple laws governing environmental protection, such as “The Law on Environmental Protection in the PRC” and “The Law on Prevention of Effluent Pollution in the PRC,” as well as standards set by the relevant governmental bodies determining the classification of different wastes and proper disposal. We have properly attained a waste disposal permit for our manufacturing facility, which details the types and concentration of effluents and gases allowed for disposal. We are responsible for periodically renewing this waste disposal permit. There is no assurance that we will obtain a renewal of the waste disposal permit when the current permit expires in February 2028.

China is experiencing substantial environmental pollution. Accordingly, it is likely that the national, provincial and local governmental agencies will adopt stricter pollution controls. There is no guarantee that future changes in environmental laws and regulations will not impose costly compliance requirements on us or otherwise subject us to future liabilities. Our business's profitability may be adversely affected if additional or modified environmental control regulations are imposed upon us.

Failure to comply with PRC regulations regarding the registration requirements for employee equity incentive plans may subject our PRC citizen employees or us to fines and other legal or administrative sanctions.

On March 28, 2007, the SAFE promulgated the Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plan or Share Option Plan of Overseas-Listed Company, which were superseded by Notice from SAFE regarding Issues related to Domestic Individual Participating Offshore Public Company Equity Incentive Plan promulgated on February 15, 2012 (“SAFE #7”), or the Share Option Rule. Under the Share Option Rule, PRC citizens who are granted stock options or other employee equity incentive awards by an overseas publicly-listed company are required, through a PRC agent who may be a PRC subsidiary of such overseas publicly-listed company, to register with the SAFE and complete certain other procedures related to the share options or other employee equity incentive plans. We and our PRC citizen employees who are granted share options or other equity incentive awards under our 2010 Long-Term Incentive Plan, or PRC optionees, are subject to the Share Option Rule. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and legal sanctions.

U.S. regulatory bodies may be limited in their ability to conduct investigations or inspections of our operations in China.

Any disclosure of documents or information located in China by foreign agencies may be subject to jurisdiction constraints and must comply with China’s state secrecy laws, which broadly define the scope of “state secrets” to include matters involving economic interests and technologies. There is no guarantee that requests from U.S. federal or state regulators or agencies to investigate or inspect our operations will be honored by us, by entities who provide services to us or with whom we associate, without violating PRC legal requirements, especially as those entities are located in China. Furthermore, under the current PRC laws, an on-site inspection of our facilities by any of these regulators may be limited or prohibited.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds the Company transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises, or FIEs, in China, capital contributions to our PRC subsidiaries are subject to the approval of or filing with the Ministry of Commerce, or MOFCOM or its local branches and registration with a local bank authorized by the State Administration of Foreign Exchange, or SAFE. In addition, (i) a foreign loan of less one year duration procured by our PRC subsidiaries is required to be registered with SAFE or its local branches and (ii) a foreign loan of one year duration or more procured by our PRC subsidiaries is required to be applied to the NDRC in advance for undergoing recordation registration formalities. Any medium or long-term loan to be provided by us to our PRC operating subsidiaries, must be registered with the NDRC and the SAFE or its local branches. The Company may not be able to complete such registrations on a timely basis, with respect to future capital contributions or foreign loans by us to our PRC Subsidiary. If the Company fail to complete such registrations, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of FIEs and allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from using the Renminbi fund converted from their foreign exchange capital for expenditure beyond their business scopes, providing entrusted loans or repaying loans between nonfinancial enterprises. The SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, effective in June 2016. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities. As this circular is relatively new, there remains uncertainty as to its interpretation and application and any other future foreign exchange related rules. Violations of these Circulars could result in severe monetary or other penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from this offering, to our WFOE, which may adversely affect our liquidity and our ability to fund and expand our business in China.

On October 23, 2019, the SAFE issued the Circular on Further Promoting Cross-border Trade and Investment Facilitation (the “SAFE Circular 28”), which took effect on the same day. The SAFE Circular 28, subject to certain conditions, allows foreign-invested enterprises whose business scope does not include investment, or non-investment foreign-invested enterprises, to use their capital funds to make equity investments in China. It is also implemented in practice.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC Subsidiaries or future capital contributions by us to our WFOE in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC Subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from this offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Complying with evolving laws, regulations and other obligations regarding cybersecurity, information security, privacy and data protection, and other related laws, regulations and obligations may be expensive and may force us to make adverse changes to our business. Many of these laws, regulations and other obligations are subject to changes and uncertain interpretations, and any failure or perceived failure to comply with these laws, regulations and other obligations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business.

Laws and regulations governing cybersecurity, information security, privacy and data protection, the use of the Internet as a commercial medium, the use of data in artificial intelligence and machine learning, and data sovereignty requirements are rapidly evolving, extensive, complex, and include inconsistencies and uncertainties. We and our partners may routinely receive, collect, generate, store, process, transmit and maintain medical data, trail records and other personal details of the subjects enrolled in our clinical trials, along with other personal or sensitive information.

On June 10, 2021, the Standing Committee of the National People’s Congress of China promulgated the PRC Data Security Law, which became effective in September 2021. The PRC Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data, and imposes export restrictions on certain data and information.

On August 20, 2021, the Standing Committee of the National People’s Congress of China issued the PRC Personal Information Protection Law, which took effective in November 2021 and integrates the scattered rules with respect to personal information rights and privacy protection. The PRC Personal Information Protection Law aims at protecting personal information rights and interests, regulating the processing of personal information, and promoting the reasonable use of personal information.

On December 28, 2021, the CAC and several other administrations jointly promulgated the Review Measures, which became effective on February 15, 2022. According to the Review Measures, an issuer who is a network platform operator holding personal information of more than one million shall file for a cybersecurity review with respect to its proposed listing on a foreign stock exchange, and the relevant PRC governmental authorities may initiate cybersecurity review if such governmental authorities determine that the issuer’s data processing activities affect or may affect national security. However, the Review Measures provides no further explanation on the determination of “affects or may affect national security.” As of the date of this annual report, we have not been involved in any cybersecurity-related investigation or received any cybersecurity-related warning from the PRC government authorities.

It remains uncertain as to how the existing regulatory measures will be interpreted or implemented in the future, and whether the PRC authorities may adopt new laws or regulations which may impose additional restrictions on companies like us. If the PRC government authorities stipulate new rules which mandate China-based companies listed on a U.S. stock exchange, such as us, to conduct cybersecurity review or obtain additional approvals, we face uncertainties as to whether such clearance or approvals can be timely obtained, or at all. If we are not able to comply with the cybersecurity and data privacy requirements, we may be subject to government enforcement actions, fines, penalties, or suspension of operations, which could materially and adversely affect our business and results of operations.

On February 22, 2023, CAC issued the Measures for the Standard Contract for Cross-Border Transfer of Personal Information. If our PRC operating entities failed to comply with such measures, they may face legal liability under the PRC Personal Information Protection Law, including fines of up to RMB50 million or 5% of annual revenues and may be ordered to suspend related activities or have business licenses revoked.

On March 22, 2024, CAC issued the Provisions on Regulating and Promoting Cross-Border Data Flows with immediate effect. Failure to comply with the relevant laws and regulations in relation to cross-border transfer of personal information may subject us and our PRC operating entities to legal liabilities and may materially and adversely affect our business, financial condition and results of operations.

Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.

Anti-Monopoly Law of the People's Republic of China promulgated by the Standing Committee of the National People's Congress, which became effective in 2008 and amended in 2022 ("Anti-Monopoly Law"), established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that State Administration for Market Regulation ("SAMR") be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions of the State Council on the Standard for Declaration of Concentration of Business Operators, issued by the State Council in 2008 and amended in 2018, are triggered. Moreover, the Anti-Monopoly Law requires that transactions which involve the national security, the examination on the national security shall also be conducted according to the relevant provisions of the State. In addition, PRC Measures for the Security Review of Foreign Investment which became effective in January 2021 require acquisitions by foreign investors of PRC companies engaged in military-related or certain other industries that are crucial to national security be subject to security review before consummation of any such acquisition. We may pursue potential strategic acquisitions that are complementary to our business and operations.

Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

The approval, filing or other requirements of the China Securities Regulatory Commission or other PRC regulatory authorities may be required under PRC law in connection with any future issuance of securities overseas, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.

On February 17, 2023, the China Securities Regulatory Commission ("CSRC") promulgated the Provisional Measures on the Administration of Overseas Securities Offering and Listing by Domestic Companies ("Provisional Measures"), effective March 31, 2023. These Provisional Measures require domestic companies seeking to offer or list securities overseas, both directly and indirectly, to fulfill filing procedures with the CSRC. Indirect offering or listing refers to offerings made under the name of an overseas entity by a Chinese entity which has its main business activities in China. Under these Provisional Measures, Chinese entities must comply with state security regulations and not divulge state secrets. The overseas issuers shall appoint a responsible entity in China to make filings. After an initial public offering, the relevant Chinese entity shall file with CSRC within three business days of completing any issuance of new securities overseas. Additionally, issuers must report to the CSRC within three business days after certain events, including change of control, investigation by overseas regulators, change of listing status, delisting, or material business changes.

On February 17, 2023, the CSRC also issued a Notice and held a press conference clarifying that companies in mainland China listed overseas before March 31, 2023 are not required to file immediately, but should complete filing for future capital raising activities. As an issuer listed before the effective date, we are not required to complete filing for prior offshore offerings. As of this annual report, we and our PRC operating entities have not been required to obtain permission from or complete filing with CSRC. However, our future capital raising activities may be subject to the filing requirement.

Failure to complete filing procedures as required under the Provisional Measures would subject us to sanctions by the CSRC or other PRC regulatory authorities, including fines and penalties on our PRC operating entities' operations, which could materially affect our business, financial condition and results of operations. If a Chinese entity violates these measures, it and its controlling shareholders, actual controllers, directors, supervisors, and senior executives may face administrative penalties such as warnings and fines up to RMB10 million, with directly responsible persons facing fines between RMB500,000 and RMB5 million. If the controlling shareholder or actual controller organizes the breach, they will be fined between RMB1 million and RMB10 million.

Restrictions contained in Chinese law on the ability of overseas securities regulators to collect information in China may deny investors in our Company the benefits of U.S. securities regulation.

China has often restricted U.S. regulators' access to information and limited regulators' ability to investigate or pursue remedies with respect to China-based issuers, generally citing to state secrecy and national security laws, blocking statutes, or other laws or regulations. Any disclosure of documents or information located in China by foreign agencies may be subject to jurisdiction constraints and must comply with China's state secrecy laws, which broadly define the scope of "state secrets" to include matters involving economic interests and technologies. In addition, according to Article 177 of the PRC Securities Law ("Article 177"), which became effective in March 2020, no overseas securities regulator can directly conduct investigations or evidence collection activities within the PRC and no entity or individual in China may provide documents and information relating to securities business activities to overseas regulators without Chinese government approval. There is no guarantee that requests from U.S. federal or state regulators or agencies to investigate or inspect our operations will be honored, by entities who provide services to us or with whom we associate, without violating PRC legal requirements, especially as those entities are located in China. The SEC, U.S. Department of Justice, and other U.S. authorities face substantial challenges in bringing and enforcing actions against China-based issuers and their officers and directors. As a result, investors in the Company may not benefit from a regulatory environment that fosters effective enforcement of U.S. federal securities laws.

As Article 177 and the PRC Securities Law are newly promulgated, there are uncertainties as to the procedures and requisite timing for the U.S. securities regulatory agencies to conduct investigations and collect evidence within the territory of the PRC. If the U.S. securities regulatory agencies are unable to conduct such investigations, there exists a risk that they may determine to suspend or de-register our registration with the SEC and may also delist our securities from NYSE American exchange or other applicable trading market within the US.

The Holding Foreign Companies Accountable Act, or the HFCAA, and the related regulations continue to evolve. Further implementations and interpretations of or amendments to the HFCAA or the related regulations, or a PCAOB determination of its lack of sufficient access to inspect our auditor, might pose regulatory risks to and impose restrictions on us because of our operations in mainland China.

On May 20, 2020, the U.S. Senate passed the Holding Foreign Companies Accountable Act (the "HFCAA") requiring a foreign company to certify it is not owned or controlled by a foreign government if the PCAOB is unable to audit specified reports because the Company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the Company's auditors for three consecutive years, the issuer's securities are prohibited to trade on a national securities exchange or in the over the counter trading market in the U.S. On December 18, 2020, the HFCAA was signed into law.

On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act (“AHFCAA”), which reduced the period for foreign companies to comply with PCAOB audits from three to two consecutive years. On December 29, 2022, the Consolidated Appropriations Act, 2023 was signed into law, which officially reduced the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two.

On December 16, 2021, PCAOB announced HFCAA determinations relating to its inability to inspect or investigate completely registered public accounting firms headquartered in mainland China or Hong Kong because of positions taken by authorities in the PRC or Hong Kong. The inability of the PCAOB to conduct inspections of auditors in China made it more difficult to evaluate the effectiveness of these accounting firms’ audit procedures compared to auditors subject to PCAOB inspections.

Our auditor, BF Borgers CPA PC, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, is headquartered in Colorado, and is subject to inspection by the PCAOB on a regular basis with the last inspection in 2023.

On August 26, 2022, the PCAOB signed a Statement of Protocol with the China Securities Regulatory Commission and the Ministry of Finance of the People’s Republic of China. On December 15, 2022, the PCAOB announced in its 2022 HFCAA Determination Report that it was able to secure complete access to inspect and investigate audit firms in the PRC, and vacated previous determinations to the contrary. The PCAOB may reassess its determinations and issue new determinations consistent with the HFCAA at any time.

While the HFCAA and AHFCAA are not currently applicable to the Company because the Company’s current auditors are subject to PCAOB review, if this changes in the future for any reason, the Company may be subject to the HFCAA and AHFCAA. Such uncertainty could cause the market price of our common stock to be materially and adversely affected, and our securities could be delisted or prohibited from being traded on NYSE American earlier than would be required by the HFCAA and AHFCAA. If our common stock is unable to be listed on another securities exchange by then, such a delisting would substantially impair your ability to sell or purchase the common stock.

Our China-sourced income is subject to PRC withholding tax under the new Enterprise Income Tax Law of the PRC, and we may be subject to PRC enterprise income tax at the rate of 25% when more detailed rules or precedents are promulgated.

The PRC *enterprise income tax* is calculated based on the taxable income determined under the PRC laws and accounting standards. On March 16, 2007, the National People’s Congress of China enacted a new *Enterprise Income Tax Law of the PRC*, which became effective on January 1, 2008 and amended the *Enterprise Income Tax Law of the PRC* on December 29, 2018. On December 6, 2007, the State Council promulgated the Implementation Rules to the *Enterprise Income Tax Law of the PRC*, or the Implementation Rules, which also became effective on January 1, 2008 and amended the Implementation Rules to the *Enterprise Income Tax Law of the PRC* on April 23, 2019. On December 26, 2007, the State Council issued the Notice on Implementation of *Enterprise Income Tax Transition Preferential Policy* under the *Enterprise Income Tax Law of the PRC*, or the Transition Preferential Policy Circular, which became effective simultaneously with the *Enterprise Income Tax Law of the PRC*. On October 17, 2017, the State Administration of Taxation promulgated the Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, which became effective on December 1, 2017 and amended Withholding at Source of Income Tax of Non-resident Enterprises on June 15, 2018. The *Enterprise Income Tax Law of the PRC* imposes a uniform *enterprise income tax* rate of 25% on all domestic enterprises, including foreign-invested enterprises unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations.

Moreover, under the *Enterprise Income Tax Law* of the PRC, enterprises organized under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered PRC resident enterprises and therefore subject to PRC *enterprise income tax* at the rate of 25% on their worldwide income. The Implementation Rules define the term “de facto management body” as the management body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In addition, the Circular Related to Relevant Issues on the Identification of a Chinese holding Company Incorporated Overseas as a Residential Enterprise under the Criterion of De Facto Management Bodies Recognizing issued by the State Administration of Taxation on April 22, 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with its “de facto management bodies” located within China if the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function mainly in China; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) its major assets, accounting books, company seals and minutes and files of its board and shareholders’ meetings are located or kept in China; and (iv) more than half of the enterprise’s directors or senior management with voting rights reside in China. Although the circular only applies to offshore enterprises controlled by PRC enterprises and not those controlled by PRC individuals or foreigners, the determining criteria set forth in the circular may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners. It is uncertain to us as to how it will be implemented and the respective tax base and the tax exposure cannot be determined reliably at this stage. In case we are required to pay the income tax on capital gains by the relevant PRC tax authorities, our financial conditions and results of operations could be adversely affected.

Our ability to distribute dividends are to large extent based on the dividends paid to us by our operating entity in China, and its ability to distribute dividends may be limited by the PRC laws.

As we are a holding company with all of business operations conducted in PRC by Helpson, which is our wholly-owned subsidiary, we depend on its dividend issuance to us to pay the dividends to our investors. According to the PRC Company Law and Foreign Investment Law, our PRC subsidiary, as a foreign-invested enterprise, or FIE, we may only pay dividends out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. In addition we are required to draw 10% of its after-tax profits each year, if any, to fund a common reserve, which may stop drawing its after-tax profits if the aggregate balance of the common reserve has already accounted for over 50% of its registered capital. The reserve funds are not distributable as cash dividends. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Our ability to distribute dividends may be restricted because of the above-mentioned regulations. We may even cannot distribute dividends if we are suffering loss in certain fiscal year in the future. As of the date of this annual report, Helpson plans to retain all the revenues and re-invest them into Helpson’s daily operation. Therefore, the Company does not intend to have any dividend distribution in the future.

Dividends payable by us to our foreign investors and gain on the sale of our shares may become subject to taxes under PRC tax laws.

Under the new EIT law and its implementation rules, to the extent that we are considered a “resident enterprise” which is “domiciled” in China, PRC income tax at the rate of 10% is applicable to dividends payable by us to investors that are “non-resident enterprises” so long as such “non-resident enterprise” investors do not have an establishment or place of business in China or, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Similarly, any gain realized on the transfer of our shares by such investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China and we are considered a “resident enterprise” which is domiciled in China for tax purposes. Additionally, there is a possibility that the relevant PRC tax authorities may take the view that our purpose is that of a holding company, and the capital gain derived by our overseas stockholders would be deemed China-sourced income, in which case such capital gain may be subject to PRC withholding tax at the rate of up to 10%. If we are required under the new EIT law to withhold PRC income tax on our dividends payable to our foreign stockholders who are “non-resident enterprises”, or if you are required to pay PRC income tax on the transfer of our shares under the circumstances mentioned above, the value of your investment in our shares may be materially and adversely affected.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

On February 3, 2015, the SAT issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or SAT Bulletin 7. SAT Bulletin 7 extends its tax jurisdiction to transactions involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets, as such persons need to determine whether their transactions are subject to these rules and whether any withholding obligation applies.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an “Indirect Transfer”, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who pays for the transfer is obligated to withhold the applicable taxes currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions, under SAT Bulletin 7 and/or SAT Bulletin 37. For transfer of shares in our company by investors who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under SAT Bulletin 7 and/or SAT Bulletin 37. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 and/or SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

The market price for our common stock may be volatile which could result in a complete loss of your investment.

The market price for our common stock is highly volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly operating results;
- announcements of new products by us or our competitors;
- changes in financial estimates by securities analysts;
- conditions in the pharmaceutical market;
- changes in the economic performance or market valuations of other companies involved in pharmaceutical production;

- announcements by our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- economic, regulatory and political developments;
- addition or departure of key personnel, or
- potential litigation.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

We may issue additional shares of our capital stock to raise additional cash for working capital; if we issue additional shares of our capital stock, our stockholders will experience dilution in their respective percentage ownership in the company.

We may issue additional shares of our capital stock to raise additional cash for working capital. There is no anti-dilution protection or preemptive rights in connection with our common stock. Thus, the percentage ownership of existing holders of common stock may be diluted in their respective percentage ownership in us if we issue additional shares of our capital stock.

We are likely to remain subject to “penny stock” regulations and as a consequence there are additional sales practice requirements and additional warnings issued by the SEC.

If at any time we have net tangible assets of \$5,000,000 or less and the trading price of our common stock is below \$5.00 per share, the open-market trading of our common stock will be subject to the “penny stock” rules of the SEC. The “penny stock” rules impose additional sales practice requirements on broker-dealers who sell securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of securities and have received the purchaser’s written consent to the transaction before the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the broker-dealer must deliver, before the transaction, a disclosure schedule prescribed by the SEC relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information on the limited market in penny stocks. These additional burdens imposed on broker-dealers may restrict the ability of broker-dealers to sell the common stock and may affect a stockholder’s ability to resell the common stock.

There can be no assurance that our common stock will qualify for exemption from the “penny stock” rules. In any event, even if our common stock is exempt from such rules, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the SEC the authority to restrict any person from participating in a distribution of a “penny stock” if the SEC finds that such a restriction would be in the public interest.

Stockholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market.

We are responsible for the indemnification of our officers and directors under certain circumstances which could result in substantial expenditures, which we may be unable to recoup.

Our bylaws provide for the indemnification of our directors, officers, employees, and agents, under certain circumstances, against attorney’s fees and other expenses incurred by them in any litigation to which they become a party arising from their association with or activities on behalf of us. This indemnification policy could result in substantial expenditures, which we may be unable to recoup.

We have identified material weaknesses in our internal control over financial reporting, which could affect our ability to ensure timely and reliable financial reports, affect the ability of our auditors to attest to the effectiveness of our internal controls should we become an accelerated filer in the future, and weaken investors’ confidence in our financial reporting.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring public companies in their annual reports to include a report of management on the reporting company’s disclosure controls and procedures and internal controls over financial reporting. We became subject to this requirement commencing with our fiscal year ended December 31, 2007 and a report of our management is included under Item 9A. “Controls and Procedures” of this Annual Report on Form 10-K. As set forth in such report, our management has concluded that our internal controls over financial reporting were not effective as of December 31, 2023, and there existed a material weakness in our internal control over financial reporting as of December 31, 2023.

We are taking appropriate actions to internally training related personnel, such as Chief Financial Officer, to remediate such material weakness; however, such measures may not be sufficient to address the material weaknesses identified or ensure that our controls and procedures are effective. We may also discover other material weaknesses in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in the implementation of such controls, could cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements and affect the ability of our auditors to attest to the effectiveness of our internal control over financing reporting to the extent we become an accelerated filer in the future. In addition, substantial costs and resources may be required to rectify any internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of our common stock could decline significantly, and our business and financial condition could be adversely affected.

There is substantial doubt about our ability to continue as a going concern.

Our auditors have indicated in their report on our financial statements for the years ended December 31, 2024 and 2023 that conditions exist that raise substantial doubt about our ability to continue as a going concern as discussed in Note 1 to the financial statements. The Company incurred recurring losses from operations, has net current liabilities and an accumulated deficit that raise substantial doubt about its ability to continue as a going concern.

To alleviate the conditions that raise substantial doubt about the Company's ability to continue as a going concern, management plans to enhance the sales model of advance payment, and further strengthen its collection of accounts receivable. Further, the Company is currently exploring strategic alternatives to accelerate the launch of comprehensive healthcare products. The freeze-dried bird's nest and Buddha's hand rose products in the company's nutrition and health series have obtained food production licenses. They are currently undergoing market operation, and are planned to be launched this year and are expected to generate sales revenue. This will support the company's continuous operation. In addition, management believes that the Company's existing fixed assets can serve as collateral to support additional bank loans. Furthermore, the company also strengthened the management of accounts receivable by enhancing the credit assessment of customers, promptly collecting debts and shortening the collection period; it has already initiated and is actively expanding the way of OEM (Original Equipment Manufacturer) to increase the utilization rate of equipment by making use of the existing machines and equipment; and it has been actively striving for government support and subsidies. While the current plans will allow the Company to fund its operations in the next twelve months, there can be no assurance that the Company will be able to achieve its future strategic alternatives raising substantial doubt about its ability to continue as a going concern.

If we are unable to generate enough cash or obtain additional sufficient funding, we would need to scale back or eliminate our business plan, reduce our operating costs and headcount, or discontinue or curtail our operations. Accordingly, our business, prospects, financial condition and results of operations could be materially and adversely affected, and we may be unable to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our audited consolidated financial statements, and it is likely that investors will lose all or a part of their investment. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We do not anticipate paying cash dividends on our common stock.

You should not rely on an investment in our common stock to provide dividend income, as we have not paid any cash dividends on our common stock and do not plan to pay any in the foreseeable future. Accordingly, investors must rely on sales of our common stock after price appreciation, which may never occur, as the only way to realize any return on their investment.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Smaller reporting companies are not required to provide the information required by this item.

ITEM 1C. CYBERSECURITY.

Risk Management and Strategy

We have implemented cybersecurity risk assessment procedures to ensure effectiveness in cybersecurity management, strategy and governance and reporting cybersecurity risks. We have also integrated cybersecurity risk management into our overall enterprise risk management system.

We have used a cybersecurity threat defense system to address both internal and external threats. This system encompasses various levels, including network, host and application security and incorporates systematic security capabilities for threat defense, monitoring, analysis, response, deception and countermeasures. We strive to manage cybersecurity risks and protect sensitive information through various methods, including technical safeguards, procedural requirements, an intensive monitoring program on our corporate network, a robust incident response program, a review of the effectiveness of our security system with reference to applicable security standards by qualified third parties and regular cybersecurity awareness training for employees. We continuously monitor the performance of our apps, platforms and infrastructure to enable us to respond quickly to potential problems, including potential cybersecurity threats.

As of the date of this Report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, results of operations or financial condition.

Governance

Our Board of Directors is responsible for overseeing the Company's cybersecurity risk management and be informed on risks from cybersecurity threats. The Board shall review, approve and maintain oversight of the disclosure (i) on Form 8-K for material cybersecurity incidents (if any) and (ii) related to cybersecurity matters in the periodic reports (including annual report on Form 10-K) of the Company. In addition, our management team, including those with experience in dealing with confidentiality-related cybersecurity issues, oversee and manage cybersecurity related matters and formulate policies as necessary. Our Board review on an annual basis regarding assessment, identification and management on material risks from cybersecurity threats happened in the ordinary course of our business operations. If a cybersecurity incident occurs, our Board will promptly organize relevant personnel for internal assessment and, depending on the situation, seek the opinions of external experts and legal advisors. If it is determined that the incident could potentially be a material cybersecurity event, our Board will decide on the relevant response measures and whether any disclosure is necessary. If such disclosure is determined to be necessary, such disclosure material will be prepared and reviewed by our Board before it is disseminated to the public.

ITEM 2. PROPERTIES.

There is no private land ownership in the PRC. All land is either owned by the government of the PRC on behalf of all Chinese citizens or collectively owned by farmers. However, land use rights may be allocated by the PRC State Land Administration Bureau or its authorized branches. Helpson was granted land use rights by the PRC government for approximately 22,936 square meters (approximately 246,881 square feet) of land located on Plot C09-2 in the Haikou Bonded Zone, Hainan Province, PRC in 2003. These land use rights will expire on September 10, 2063.

Helpson owns two production facilities in Haikou, Hainan Province, PRC, one of which has a construction area of 663.94 square meters and is located on the 6th floor of Standard Plant Building B, Jinpan Industrial Development Zone. The other factory, located on Plot C09-2 in the Haikou Bonded Zone, has two buildings with production area of 20,282.42 square meters, certificate number HK477872, and 6,593.20 square meters, certificate number HK122889.

In addition, Helpson rents offices located on the second floor and third floor of the Jiahai Building owned by Hainan Zhongfu Foreign Export Personnel Service Center (the “Center”) as its principal executive offices. For office spaces on the second floor and third floor at a monthly rent of RMB 17,600 (approximately \$2,485) and RMB 30,000 (approximately \$4,236), respectively, based on the current lease dated June 5, 2023 that is for a two-year term ending June 30, 2025. The aggregate area of the office space rented by Helpson is 1,686 square meters (16,812 square feet).

We believe that all our properties have been adequately maintained, are generally in good condition, and are suitable and adequate for our business. However, we anticipate a potential need for expansion and additional space as our production increases.

Mortgaged Property

On September 25, 2023 the Company entered into a three-year revolving loan and received proceeds of RMB 10,000,000 (approximately \$1.4 million). The interest rate for the loan is 3.35% for the first twelve months of the loan, which covers September 25, 2023 to September 20, 2024 and adjusts based on the latest one-year loan market quotation rate less 10 basis points as published by the China National Interbank Funding Center on the working day prior to each twelve-month anniversary of the loan. The interest rate is 3.25% for the second twelve months of the loan, which covers September 21, 2024 to September 20, 2025.

The loan is collateralized by the Company’s new production facility and the included production line equipment and machinery. In addition, the Company’s Chief Executive Officer and Chair of the Board personally guaranteed the new line of credit. Total interest paid on this loan was \$47,418 for the years ended December 31, 2024.

The loans referred to above are set forth in the table below:

Total Amount of the Line of Credit	Lending Institution	Contract Period	Interest Rate	Properties under Mortgage
RMB 10 million (Approximately \$1.41 million)	Bank of China	September 21, 2024 to September 20, 2025	3.25%	Helpson’s new factory: 20,282.42 square meters (Certificate #: HK477872) Production line equipment and machinery included in the facility

ITEM 3. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. However, we are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and ask price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$4,290,693 as of June 30, 2024, based on the closing price of \$0.25 of the Company's common stock on such date.

The number of outstanding shares of the registrant's common stock on March 24, 2025, was 14,816,865. The number of outstanding shares reflects the impact of two reverse stock splits implemented in 2023 and 2024, as described below:

Effective March 6, 2024, the Company implemented a 1-for-5 reverse split of its common stock. The reverse stock split was approved by the Company's Board of Directors through unanimous written consent and the Company's stockholders at its Annual Meeting for the fiscal year ended on December 31, 2022, which was held on December 17, 2023. Upon the effectiveness of the reverse stock split, every 5 shares of the Company's issued and outstanding common stock were automatically converted into one share of issued and outstanding common stock. No fractional shares were issued as a result of the reverse stock split. Instead, any fractional shares that resulted from the split were rounded up to the next whole number. The reverse stock split affects all stockholders uniformly and does not alter any stockholder's percentage interest in the Company's outstanding common stock, except for adjustments that may result from the treatment of fractional shares. All share and per share amounts have been retroactively restated for all periods presented in the accompanying consolidated financial statements.

Effective March 6, 2023 China Pharma implemented a 1-for-10 reverse split of its common stock. The reverse stock split was approved by the Company's Board of Directors through unanimous written consent and China Pharma's stockholders at its Annual Meeting for the fiscal year ended on December 31, 2021, which was held on December 27, 2022. Upon the effectiveness of the reverse stock split, every 10 shares of China Pharma's issued and outstanding common stock were automatically converted into one share of issued and outstanding common stock. No fractional shares were issued as a result of the reverse stock split. Instead, any fractional shares that resulted from the split were rounded up to the next whole number. The reverse stock split affects all stockholders uniformly and does not alter any stockholder's percentage interest in China Pharma's outstanding common stock, except for adjustments that may result from the treatment of fractional shares. All share and per share amounts have been retroactively restated for all periods presented in the accompanying consolidated financial statements.

Market Information

Our shares began trading on the NYSE American (Formerly known as NYSE Amex, NYSE MKT) on September 30, 2009 under the symbol "CPHI". Prior to September 30, 2009, our shares traded on the OTC Bulletin Board under the symbol "CPHI.OB."

Holders

As of March 24, 2025, there were approximately 137 stockholders of record of our common stock and an indeterminate number of beneficial holders who held our common stock in street name.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Equity Trust Company, with offices located at 3200 Cherry Creek South Drive, Suite 430, Denver, Colorado 80209. Their telephone number is (303) 282-4800 and fax number is (303) 282-5800.

Dividend Policy

We have never paid or declared any dividend on our common stock and we do not anticipate paying cash dividends in the foreseeable future. As a result of our holding company structure, we would rely entirely on dividend payments from our subsidiaries, Onny Investment Ltd. and Hainan Helpson Medial & Biotechnology Co., Ltd., for our cash flow to pay dividends on our common stock. The PRC government imposes controls on the conversion of Renminbi into foreign currencies and the remittance of currencies out of the PRC, which may also affect our ability to pay cash dividends in the future.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))* (c)
Equity compensation plans not approved by security holders	-	-	-
Equity compensation plans approved by security holders	-	-	482,000
Totals	-	-	482,000

* All shares have been retroactively restated to reflect the effect of the 1-for-5 reverse stock split effective March 6, 2024 and the 1-for-10 reverse stock split effective March 6, 2023.

ITEM 6. [Reserved]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The statements contained in this report with respect to our financial condition, results of operations and business that are not historical facts are forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology, such as "anticipate," "believe," "expect," "plan," "intend," "seek," "estimate," "project," "could," or the negative thereof or other variations thereon, or by discussions of strategy that involve risks and uncertainties. Management wishes to caution the readers that any such forward-looking statements contained in this report reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors, including, but not limited to, economic, competitive, regulatory, technological, key employees, and general business factors affecting our operations, markets, growth, services, products, licenses and other factors, some of which are described in this report and some of which are discussed in our other filings with the Securities and Exchange Commission (the "SEC"). These forward-looking statements are only estimates or predictions. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of risks facing our company, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events.

These risk factors should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. All written and oral forward-looking statements made in connection with this report that are attributable to our company or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given these uncertainties, we caution investors not to unduly rely on our forward-looking statements. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events, except as required by applicable law or regulation.

Business Overview & Recent Developments

China Pharma Holding Inc. ("China Pharma") is not a Chinese operating company but a Nevada holding company. All of our operations are conducted in the PRC through Hainan Helpson Medical & Biotechnology Co., Ltd ("Helpson"), our wholly owned subsidiary incorporated under the laws of the People's Republic of China (the "PRC"), where the manufacturing facilities are located. Helpson is principally engaged in the development, manufacture and marketing of pharmaceutical products for human use in connection with a variety of high-incidence and high-mortality diseases and medical conditions prevalent in the PRC. It manufactures pharmaceutical products in the form of dry powder injectables, liquid injectables, tablets, capsules, and cephalosporin oral solutions. The majority of its pharmaceutical products are sold on a prescription basis and all of them have been approved for at least one or more therapeutic indications by the National Medical Products Administration (the "NMPA", formerly China Food and Drug Administration, or CFDA) based upon demonstrated safety and efficacy.

China's consistency evaluation of generic drugs continues to proceed for the year ended December 31, 2024. Helpson has always taken the task of promoting the consistency evaluation as a top priority, and worked on them actively. However, for each drug's consistency evaluation, due to the continuous dynamic changes of the detailed consistency evaluation policies, market trends, expected investments, and expected returns of investment ("ROI"), the whole industry, including Helpson, has been making slow progresses in terms of the consistency evaluation. One of the flagship products, Candesartan tablets, a hypertension product, has passed generic-drug-consistency-evaluation in early August 2023.

Helpson has taken a more cautious and flexible attitude towards initiating and progressing any project for existing products' consistency evaluation to cope with the changing macro environment of drug sales in China. In 2018, relevant Chinese authorities decided to implement trial Centralized Procurement ("CP") activities in 11 selected pilot cities (including 4 municipalities and 7 other cities), since then, nine rounds of CP activities have been carried out as of November 13, 2024, which significantly reduced the price of the drugs that won the bids. In addition, the consistency evaluation has been adopted as one of the qualification standards for participating in the CP activities. As a result, Helpson needs to balance between the market access brought by CP, the investment of financial resources and time to obtain the qualification of CP, and the sharp decline in the price of drugs included in CP before making decisions regarding CP for any products.

In addition, Helpson continues to explore the field of comprehensive healthcare. Comprehensive healthcare is a general concept proposed by the Chinese government according to the development of the times, social needs and changes in disease spectrum. According to the Outline of "Healthy China 2030" issued by Chinese government in October 2016, the total size of China's health service industry is expected to reach RMB 16 trillion (approximately \$2.5 trillion) by 2030. This industry focuses on people's daily life, aging and diseases, pays attention to all kinds of risk factors and misunderstandings affecting health, calls for self-health management, and advocates the comprehensive care throughout the entire process of life. It covers all kinds of health-related information, products, and services, as well as actions taken by various organizations to meet the health needs. In response to this trend, Helpson launched Noni enzyme, a natural, Xeronine-rich antioxidant food supplement at the end of 2018. It also launched wash-free sanitizers and masks, in 2020, to address the market needs caused by COVID-19 in China. As Chinese government officially terminated its zero-case policy, now the responsibility to protect people from the impact of COVID-19 falls more to the citizens themselves, and masks and sanitizers have been popular since COVID-19. Helpson has sufficient production capacity for medical masks, surgical masks, KN95 masks, and N95 masks, which also meets the personal needs for protection against other respiratory infectious diseases. Helpson's N95 medical protective mask has received registration certificate at the end of 2022 and has been on the market in the mainland China nationwide.

In April 2024, Helpson began serving as a Contract Manufacturing Organization (CMO) for a project, undertaking its R&D and post-market commercial production. This initiative generated approximately \$50,000 in revenue within the year. Under the contract terms, once the product is launched, the company will continue providing production services, further boosting sales revenue and ensuring sustained cash inflows. This project successfully completed process verification in January 2025 and is currently undergoing stability testing. Registration with the National Medical Products Administration (NMPA) is expected in the third quarter of 2025. Moving forward, we will leverage our competitive advantages as a CMO, including our highly skilled technical team, state-of-the-art facilities, multiple production lines, ample capacity, extensive manufacturing expertise, and a robust quality management system.

Results of Operations for the Fiscal Year ended December 31, 2024

Revenue

Revenue was \$4.5 million for the year ended December 31, 2024, which represented a decrease of \$2.5 million, as compared to \$7.0 million for the year ended December 31, 2023. This decline was mainly due to an increasing number of drugs from other medicine providers being included in national CP, while Helpson's peer products have not passed consistency evaluation. As a result, they are not qualified to participate in CP, the resulting sales has decreased.

Set forth below are our revenues by product category in millions (USD) for the years ended December 31, 2024 and 2023:

Product Category	Twelve Months Ended December 31,		Net Change	% Change
	2024	2023		
CNS Cerebral & Cardio Vascular	1.35	1.62	-0.27	-17%
Anti-Viral/ Infection & Respiratory	2.75	3.57	-0.82	-23%
Digestive Diseases	0.20	1.09	-0.89	-82%
Other	0.18	0.73	-0.55	-75%

The most significant revenue decrease in terms of dollar amount was in the "Digestive Diseases" category. It generated \$0.20 million for the year ended December 31, 2024, compared to \$1.09 million for the year ended December 31, 2023, which represented a decrease of \$0.89 million. This decrease was mainly due to the decrease in sales of the Omeprazole due to market fluctuation, as the market demand returned to normal after the demand spiked in the same period of 2023.

The "Anti-Viral/ Infection & Respiratory" product category generated \$2.75 million for the year ended December 31, 2024, compared to \$3.57 million for the year ended December 31, 2023, which represented a decrease of \$0.82 million. This decrease was mainly due to a decrease in sales of Helpson not passing the consistency evaluation of Roxithromycin and therefore not being able to participate in CP.

"Others" product category generated \$0.18 million in sales revenue for the year ended December 31, 2024, compared to \$0.73 million for the same period last year, which represented a decrease of \$0.55 million. This decrease was mainly due to the decrease in sales of Vitamin B6 for Injection due to market volatility.

Our "CNS Cerebral & Cardio Vascular" product category generated \$1.35 million in sales revenue for the year ended December 31, 2024, compared to \$1.62 million for the same period last year, which represented a decrease of \$0.27 million. This decrease was mainly due to the decrease in sales of Ozagrel Sodium for Injection due to market fluctuation.

Product Category	Twelve Months Ended December 31,	
	2024	2023
CNS Cerebral & Cardio Vascular	30%	23%
Anti-Viral/ Infection & Respiratory	61%	51%
Digestive Diseases	4%	16%
Other	4%	10%

For the year ended December 31, 2024, revenue breakdown by product category experienced certain variances compared with that of the prior year. Sales in the "Anti-Viral/Infection & Respiratory" product category represented 61% and 51% of total sales in the years ended December 31, 2024 and 2023, respectively. The "CNS Cerebral & Cardio Vascular" category represented 30% of total revenue for the year ended December 31, 2024, compared to 23% for the year ended December 31, 2023. The "Digestive Diseases" category represented 4% and 16% of total revenue for the years ended December 31, 2024 and 2023, respectively. The "Other" category represented 4% and 10% of revenues for the years ended December 31, 2024 and 2023, respectively.

Notably, during the year ended December 31, 2024, the company generated an OEM income of \$53,338, accounting for 1% of our total revenue.

Cost of Revenue

For the year ended December 31, 2024, our cost of revenue was \$6.5 million, or 143.8% of total revenue, which represented a decrease of \$0.78 million from \$7.3 million, or 104.0% of total revenue, in 2023. The decrease in the dollar value of cost of revenues in the twelve months ended December 31, 2024 was mainly because that the decrease in revenue; and the increase in ratio of costs to revenue was mainly due to the increase in idle equipment costs due to reduced production, as well as the increased inventory impairments.

Gross Loss and Loss Margin

Gross loss for the year ended December 31, 2024 was \$2.0 million, compared to \$0.3 million for the year ended December 31, 2023. Our gross loss margin for the year ended December 31, 2024 was 43.8%, compared to 4.0% for the year ended December 31, 2023. The main reasons for the increase in the gross loss rate were: the rise in idle equipment costs of approximately \$0.66 million, the increase in inventory impairment provisions of approximately \$0.86 million, and the significant decline in product sales.

Selling Expenses

Our selling expenses for the year ended December 31, 2024 were \$0.53 million, a decrease of \$0.25 million compared to \$0.78 million for the year ended December 31, 2023. Selling expenses accounted for 11.7% of the total revenue for the year ended December 31, 2024 compared to 11.1% for the year ended December 31, 2023. Because of the adjustments in the sales practices and Chinese national CP, we reduced selling expenses to efficiently support the sales and the collection of accounts receivable, especially in the context of the increasing impact of CP, like other players in the industry, we have reduced the promotion expenses.

General and Administrative Expenses

Our general and administrative expenses for the year ended December 31, 2024 were \$1.78 million, an increase of \$0.32 million compared to \$1.47 million for the year ended December 31, 2023. General and administrative expenses accounted for 39.4% and 20.9% of our total revenues for the years ended December 31, 2024 and 2023, respectively. Reason for this increase was the amortization expenses related to the purchased patent technology in 2024.

Research and Development Expenses

Our research and development expenses for the year ended December 31, 2024 was \$0.28 million, compared to \$0.24 million for the year ended December 31, 2023. Research and development expenses accounted for 6.3% and 3.4% of our total revenues for the years ended December 31, 2024 and 2023, respectively. These expenditures were mainly spent on the consistency evaluation of the existing products.

Bad Debt Expense (reversal of allowance for credit losses)

Our allowance for credit losses for the year ended December 31, 2024 was \$5,702, as compared to reversal of bad debt expense of \$15,757 for the same period in 2023.

In general, our normal customer credit or payment terms are 90 days. This has not changed in recent years. Such relatively long credit term is due to the peculiar environment affecting the Chinese pharmaceutical market, as deferred payments by state-owned hospitals to local drug distributors are common, and their deferred payments will indirectly delay the payments from our customers to us. Due to the timeliness requirements of the NMPA for logistics of drug sales, Helpson, like most other pharmaceutical companies in China, sells substantially all the drugs to local drug distributors, certified by GSP (Good Supply Practice), the standard of products supply, which is a standard protocol to control the quality of the products during circulation. These GSP certified distributors then sell the drugs to state-owned hospitals. The GSP certified distributors' payments to us are usually delayed as they will pay us after they receive payment from the state-owned hospitals. Therefore, as most of our customers are GSP certified distributors, we adopt a unified policy for bad debt allowance reserves for GMP's customers who are typically GSP certified distributors. As is typical in the Chinese pharmaceutical market, there are no written contracts between the Company and any of its GSP certified distributors requesting the distributors to pay the Company's account receivable upon their receipt of funds from the distributors' customers, or state-owned hospitals. Nevertheless, the Company's customers typically process the payment of the account receivable to the Company upon their receipt of payment from their customers, i.e., the state-owned hospitals, as a matter of implied consensus or industry standard. In the event the length of collection term is deviated from any of the past pattern of any particular customer, the Company will adjust its credit term.

The amount of net accounts receivable that was past due (or the amount of accounts receivable that was more than 180 days old) was \$0.06 million and \$0.01 million as of December 31, 2024 and 2023, respectively.

The following table illustrates our trade accounts receivable aging distribution in terms of the percentage of the total accounts receivable, respective gross accounts receivables as well as the allocated allowance for credit losses as of December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
1 - 180 Days	1.24%	3.45%
180 - 365 Days	0.48%	0.06%
365 - 720 Days	0.01%	0.09%
> 720 Days	98.27%	96.40%
Total	100.00%	100.00%

	Gross Accounts Receivable Amount		Allocated Allowance for Doubtful Accounts	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
1-180 Days	171,988	492,852	-	-
180-365 Days	66,602	8,299	6,660	830
365-720 Days	700	13,756	490	9,629
Over 720 Days	13,580,031	13,775,615	13,580,031	13,775,615
Total	13,819,322	14,290,522	13,587,182	13,786,074

Our allowance for credit losses estimate practice using the current expected credit loss method considers accounts receivable balances aged within 180 days current, except for any individual uncollectible account assessed by management. We account for the following respective percentage as credit loss allowance based on age of the accounts receivables: 10% of accounts receivable that are between 180 days and 365 days old, 70% of accounts receivable that are between 365 days and 720 days old, and 100% of accounts receivable that are greater than 720 days old.

Our allowance for credit losses as a percentage of accounts receivable of trade accounts receivable was 98.3% and 96.5% as of December 31, 2024 and 2023, respectively.

We conduct analysis and review on accounts receivables for customers on a specific, per-customer basis in the fourth fiscal quarter of each fiscal year. For customers (i) whose business license has been cancelled or expired; (ii) whose key business certificates such as GSP (Good Supply Practice) license have been invalid or revoked; (iii) who have no ability to continue operations, or (iv) who are encountering other issues that lead to accounts receivable unrecoverable, the receivable will be written-off as per the resolution of our Board of Directors.

We recognize credit losses per actual write-offs as well as changes of allowance for credit losses. To the extent that our current allowance for credit losses is higher than that of the previous period, we recognize a bad debt expense for the difference during the current period, and when the current allowance is lower than that of the previous period, we recognize a bad debt credit for the difference. The allowance for credit losses balances were \$13.6 million and \$13.8 million as of December 31, 2024 and December 31, 2023, respectively. The changes in the allowances for credit losses of trade accounts receivable during the years ended December 31, 2024 and 2023 were as follows:

	For the Fiscal Years Ended	
	December 31,	
	2024	2023
Balance, Beginning of Year	\$ 13,786,074	\$ 16,739,527
Bad debt expense	5,702	(15,757)
Bad debt write-offs	-	(2,671,896)
Foreign currency translation adjustment	(204,594)	(265,800)
Balance, End of Year	<u>\$ 13,587,182</u>	<u>\$ 13,786,074</u>

Our bad debt expense for the year ended December 31, 2024 was \$5,702, as compared to reversal of allowance for credit losses of \$15,757 in 2023.

Loss from Operations

Our operating loss for the year ended December 31, 2024 was \$4.59 million, compared to \$2.75 million in 2023.

Net Interest Expense

Net interest expense was \$0.15 million for the year ended December 31, 2024 and \$0.33 million for the year ended December 31, 2023.

Net Loss

Net loss for the year ended December 31, 2024 was \$4.74 million, compared to net loss of \$3.08 million for the year ended December 31, 2023. The increase in net loss was mainly a result of the decline in expenses more than the decline in revenue.

Loss per basic and diluted common share was \$0.27 for the year ended December 31, 2024 and \$0.91 for the year ended December 31, 2023, respectively.

The number of basic and diluted weighted-average outstanding shares used to calculate loss per share was 17,463,723 for 2024, as compared to 3,383,573 for 2023.

The change in weighted-average shares and per-share amounts reflects the impact of two reverse stock splits: a 1-for-10 split effective March 6, 2023, and a 1-for-5 split effective March 6, 2024. These splits reduced the number of outstanding shares, with all share and per-share amounts retroactively restated for all periods presented in the accompanying consolidated financial statements.

Liquidity and Capital Resources

Our principal source of liquidity is cash generated from operations and bank lines of credit. Currently the Company has not witnessed or expected to encounter any difficulties to refinance those lines of credit this year. As of December 31, 2024, the aggregated advance from our CEO was \$1,144,985 for use in operations. Our cash and cash equivalents were \$0.63 million, representing 4.2% of our total assets, as of December 31, 2024, as compared to \$1.42 million, representing 8.6% of our total assets as of December 31, 2023. All of the \$0.63 million of cash and cash equivalents as of December 31, 2024 are considered to be reinvested indefinitely in the Company's Chinese subsidiary, Helpson and are not expected to be available for payment of dividends or for other payments to its parent company or to its shareholders.

The Company obtained various lines of credit in details described under Note 8 to its audited consolidated financial statements contained in this report which is incorporated by reference herein.

China Pharma issued a convertible note to an institutional accredited investor as disclosed in Note 9 to the audited consolidated financial statements contained in this report which is incorporated by reference herein.

Although the Company obtained additional lines of credit for the year ended December 31, 2024, there can be no assurance that the Company will be able to achieve its future strategic goals, including the launch of new products. This raises substantial doubt about the Company's ability to continue as a going concern. Although our Chairperson and Chief Executive Officer had advanced funds for working capital for the year ended December 31, 2024, there can be no assurances that this will continue in the future. We may seek additional debt or equity financing as necessary when we believe the market conditions are the most advantageous to us and/or require us to reduce certain discretionary spending, which could have a material adverse effect on our ability to achieve our business objectives. There can be no assurance that any additional financing will be available on acceptable terms, if at all.

Operating Activities

Net cash used in operating activities was \$0.47million in the year ended December 31, 2024, compared to \$0.70 million in the same period in 2023.

As of December 31, 2024, our net trade accounts receivable was \$0.23 million, a decrease of \$0.27 million from \$0.50 million as of December 31, 2023.

As of December 31, 2024, total inventory was \$2.27 million, compared to \$3.73 million as of December 31, 2023.

Investing Activities

During the year ended December 31, 2024, net cash used in investing activities was \$0.29 million, compared to \$0.01 million for the year ended December 31, 2023. This was mainly due to the investment in the development of a medicine formula.

Financing Activities

Cash flow provided by financing activities was \$0.03 million in the twelve months ended December 31, 2024; compared to \$0.07 million for the same period for the year ended December 31, 2023.

According to relevant PRC laws, companies registered in the PRC, including our PRC subsidiary, Helpson, are required to allocate at least ten percent (10%) of their after-tax net income, as determined under the accounting standards and regulations in the PRC, to statutory surplus reserve accounts until the reserve account balances reach fifty percent (50%) of the companies' registered capital prior to their remittance of funds out of the PRC. Allocations to these reserves and funds can only be used for specific purposes and are not transferrable to the parent company in the form of loans, advances or cash dividends. As of December 31, 2024 and December 31, 2023, Helpson's net assets totaled (\$6,197,000) and (\$5,273,000), respectively. Due to the restriction on dividend distribution to overseas shareholders, the amount of Helpson's net assets that was designated for general and statutory capital reserves, and thus could not be transferred to our parent company as cash dividends, was 50% of Helpson's registered capital, which was both \$8,145,000 as of December 31, 2024 and December 31, 2023, respectively. The amount that Helpson must set aside for the statutory surplus fund accounts exceeds its total net assets at December 31, 2024 and December 31, 2023. There were no allocations to the statutory surplus reserve accounts during the twelve months ended December 31, 2024.

The Chinese government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of China. Our businesses and assets are primarily denominated in RMB. All foreign exchange transactions take place either through the People’s Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People’s Bank of China. Approval of foreign currency payments by the People’s Bank of China or other regulatory institutions requires the submission of a payment application form together with certain invoices and executed contracts. The currency exchange control procedures imposed by Chinese government authorities may restrict Helpson, our Chinese subsidiary, from transferring its net assets to our parent company through loans, advances or cash dividends.

Off-Balance Sheet Arrangements

As of December 31, 2024, we did not have any off-balance sheet arrangements.

Critical Accounting Policies

Management’s discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. Our financial statements reflect the selection and application of accounting policies which require management to make significant estimates and judgments. The discussion of our critical accounting policies contained in Note 1 to our consolidated financial statements, “Organization and Significant Accounting Policies”, included in the Company’s annual report on Form 10-K for fiscal year ended December 31, 2024, which is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Smaller reporting companies are not required to provide the information required by this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated balance sheets, as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive loss, stockholders’ equity and cash flows for each of the two years in the period ended December 31, 2024 and 2023, together with the related notes and the report of our independent registered public accounting firms, are set forth on the “F” pages of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information that would be required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including to our Chief Executive Officer and interim Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15 under the Exchange Act, our management, including our Chief Executive Officer and interim Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2024. Based on that evaluation, our Chief Executive Officer and interim Chief Financial Officer concluded that as of December 31, 2024, our disclosure controls and procedures were not effective to satisfy the objectives for which they are intended due to the material weakness in our internal control over financial reporting discussed below.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, a company's principal executive and principal financial officers, or persons performing similar functions, and effected by a company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of a company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles and that receipts and expenditures of a company are being made only in accordance with authorizations of management and directors of a company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on the financial statements.

Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected in a timely manner. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation. In addition, the design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Therefore, any current evaluation of controls cannot and should not be projected to future periods.

Management assessed our internal control over financial reporting as of the year ended December 31, 2024. In making this assessment, management used the criteria set forth in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the report entitled "Internal Control-Integrated Framework." The 2013 COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring.

Based on management's assessment using the COSO criteria, management has concluded that our internal control over financial reporting was not effective as of December 31, 2024, to allow our management, employees and consultants, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely and reasonable basis and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Our Chief Executive Officer and interim Chief Financial Officer has determined there existed a material weakness in our internal control over financial reporting as of December 31, 2024, with respect to our lack of accounting financial reporting personnel knowledgeable in US GAAP. As of the date of this report, we are undertaking steps to address the aforementioned material weaknesses by obtaining education and training for our personnel regarding the proper accounting under U.S. GAAP and reviewing the processes to correct the identified weaknesses. Notwithstanding these material weaknesses, management has concluded that our consolidated financial statements included in this annual report are fairly stated in all material respects in accordance with U.S. GAAP for each period presented herein.

Because we are a smaller reporting company, this Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Trading Plans

During the fiscal quarter ended December 31, 2024, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement", as those terms are defined in Regulation S-K, Item 408.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTION THAT PREVENT INSPECTIONS.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

General

Listed below are the names and ages of all our directors and executive officers as of March 24, 2025, along with their positions, offices and term:

Name	Age	Position
Zhilin Li	72	Chairperson, President, Chief Executive Officer and interim Chief Financial Officer
Heung Mei Tsui	68	Director
Gene Michael Bennett	77	Independent Director
Yingwen Zhang	80	Independent Director
Baowen Dong	82	Independent Director

All of our independent directors hold offices until our next annual meeting of the stockholders, at which a successor will be duly elected and qualified or until his or her earlier resignation, removal from office, death or incapacity. Non-independent directors will hold office for a term of three (3) years or when their respective successors shall have been elected and shall qualify, or upon their prior death, resignation or removal. Directors may be re-elected for successive terms. Officers serve at the discretion of the board of directors.

The following sets forth biographical information regarding the above directors and executive officers.

Zhilin Li is the Chairperson, President, Chief Executive Officer and interim Chief Financial Officer of our company. She has served as a director since 2006 and as the President and Chief Executive Officer since 2005. She was a founder of Helpson, and served as Chairperson and Chief Executive Officer of Helpson from 1993 to 2005. Ms. Li was formerly the president of Haikou Bio-Engineering Institute as well as the vice president of Sichuan Institute of Biology. She graduated from Sichuan University with a degree in biology.

Heung Mei Tsui has served as a director of the Company since April 28, 2009. Previously, Ms. Tsui served as a member of our board from October 2005 to February 2008. Ms. Tsui has been a self-employed businesswoman engaged in strategic investments and was previously engaged in the pharmaceutical chemical raw material import/export business. Ms. Tsui graduated from Hunan Financial & Economic College in 1982.

Gene Michael Bennett has served as our independent director since February 2008. Presently, Mr. Bennett is Chairman and Partner of Prescient Crossborder Business Consulting, Ltd, Shenzhen, PRC. From 2013 through 2015 Mr. Bennett served as part-time CFO for Kang Jia Fu, Royal Traditional Health Investment Management Co. Ltd, located in Wuxi, Jiangsu Province, China and advisor to Swiss Capital Asia, located in Hong Kong. From 2009 through 2013, Mr. Bennett served as the CEO of American General Business Association, located in Beijing, China. Mr. Bennett was a partner of Nexis Investment Consulting Corporation based in Beijing from 2004-2009. He was a partner of ProCFO Company based in California which provided contract chief financial officer service for firms during 2000-2004. During 1998-2000, he was a basic law, accounting and tax professor at University of Hawaii, and an accounting, tax and audit professor at Chaminade University of Honolulu, Hawaii, USA. In addition, he previously served as the chief financial officer and member of the board of directors of Argonaut Computers in Southern California. Mr. Bennett worked as an accounting and audit professor at Chapman University and an accounting, tax, and audit professor at California State University at Fullerton. He also acted as chief financial officer and a board member of the National Automobile Club. Mr. Bennett graduated from Michigan State University with an MBA in Finance and BA in Accounting. He obtained his CPA license from the State of Colorado, which is currently inactive.

Yingwen Zhang has served as our independent director since February 2008. He also currently serves as a consultant of Shanghai Reseat Medical Tech Co. Ltd., a medical device producer. He acted as Senior Consultant and Chairperson of HSE (Health Safe and Environment) Committee of SINO FERT Holdings Limited (HKG: 0297) of SINO CHEM Group from October 2005 to June 2009. He served as an independent director of a public company, Chongqing New Energy Co., Ltd. (SH.600847), from 2007 to 2018. Additionally, Mr. Zhang was appointed as the Commercial Counselor of the China Embassy in Malaysia from March 2000 through October 2005. Prior to that, from 1988 to 2000, Mr. Zhang was appointed as the Director-General to Sichuan Provincial Foreign Trade and Economic Cooperation Bureau (the Commercial Bureau of Sichuan Province, China). In his early career he was a chemical engineer and senior economist, and then became a senior manager for several chemical corporations in China. From 1983 to 1988, Mr. Zhang served as vice CEO and then CEO of a large nature gas-chemical state owned enterprise (SOE) in the PRC affiliated with the SINOPEC Group. Mr. Zhang graduated from the Chemical Engineering Department of Tianjin University in 1967.

Baowen Dong has served as our independent director since February 2008. Mr. Dong participated on the expert team of the Sichuan University from 2003 to 2008, doing teaching evaluation and assessment work in Engineering and Medical Science faculty. In the past few years, Mr. Dong has focused on the research of China's Health Care Reform. Previously, he concentrated on biomedical and medical information researches. Mr. Dong has had different roles in areas of teaching and research, including serving as a department head and a professor, at Sichuan University from 1974 to 2001. Additionally, Mr. Dong was engaged in the field of communication technology from 1966 to 1974. Mr. Dong graduated from Xidian University in 1966.

Family Relationships

There are no family relationships among our directors or executive officers.

Director or Officer Involvement in Certain Legal Proceedings

To our knowledge, our directors and executive officers were not involved in any legal proceedings as described in Item 401(f) of Regulation S-K in the past ten years.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who own more than 10% a registered class of our equity securities ("Reporting Persons"), to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC. The Reporting Persons are also required by SEC rules to furnish us with copies of Section 16(a) forms they file. Based upon a review of the filings made on their behalf during the fiscal year ended December 31, 2024 as well as an examination of the SEC's EDGAR system Form 3, 4, and 5 filings (including amendments to such forms) and our records, we believe that, during the year ended December 31, 2024, the Reporting Persons met all applicable Section 16(a) filing requirements except for the following: (i) Zhilin Li did not timely file Form 4 after being granted 2,751,413 (pre-reverse stock split, 13,757,063 shares) shares on September 29, 2023. However, the Form 4 corresponding to the transaction was subsequently filed on October 19, 2023; and (ii) Tao Liu did not timely file Form 3 after being granted 3,000,000 (pre-reverse stock split, 15,000,000 shares) shares on December 28, 2023. However, the Form 3 corresponding to the transaction was subsequently filed on January 26, 2024.

Code of Ethics

On July 8, 2008, we adopted a code of business conduct and ethics for all directors and employees (including officers) within the meaning of the regulations adopted by the SEC under Section 406 of the Sarbanes-Oxley Act of 2002. The code has been designed to deter wrongdoing and promote (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, (ii) full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us, (iii) compliance with applicable governmental laws, rules and regulations, (iv) the prompt internal reporting of violations of the code to an appropriate person or persons, and (v) accountability for adherence to the code. The application of the code to the persons it applies to may only be waived by our Board of Directors in accordance with SEC regulations and the Sarbanes-Oxley Act of 2002. A copy of the code is available on our website at www.chinapharmaholdings.com or may be obtained by sending a written request to our corporate secretary at China Pharma Holdings, Inc., Second Floor, No. 17, Jinpan Road, Haikou, Hainan Province, China 570216.

Audit Committee

On February 1, 2008, we established an audit committee, which currently consists of our three independent directors: Gene Michael Bennett, Yingwen Zhang and Baowen Dong. Mr. Bennett, the Chairperson of the Audit Committee, is an “audit committee financial expert” as defined in Item 401(d)(5) of Regulation S-K promulgated under the Securities Act. The audit committee carries out its responsibilities in accordance with the terms of its Audit Committee Charter, a copy of which attached as Exhibit 99.1 to our Annual Report on Form 10-K filed on March 17, 2009, and available on our website at www.chinapharmaholdings.com.

ITEM 11. EXECUTIVE COMPENSATION

Summary of Executive Compensation

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to our principal executive officer and principal financial officer during the last two fiscal years in all capacities to our Company and our subsidiaries. No other executive officer received compensation in excess of \$100,000 during the fiscal year ended December 31, 2024.

SUMMARY COMPENSATION TABLE

Name and principal position	Year Ended	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Zhilin Li	2024	300,000						16,000	316,000
Chairperson, Chief Executive Officer	2023	225,600	-	-	-	-	-	16,000	241,600
President and interim Chief Financial Officer									

Employment Agreements

Zhilin Li. Hainan Helpson Medical & Biotechnology Co., Ltd., our wholly-owned subsidiary and operating entity in the PRC (“Helpson”), entered into an employment agreement with Ms. Zhilin Li, our Chairperson of the Board and Chief Executive Officer. Upon the expiration of the original agreement, Helpson renewed the agreement with Ms. Li on the same terms as the original agreement. The new employment agreement will expire on June 30, 2025. Pursuant to the terms of the new employment agreement, Ms. Li agreed to continue to serve as Helpson’s Chief Executive Officer for a term of five years at an annual salary of RMB800,000. Helpson may adjust Ms. Li’s compensation based upon her production and operating achievement and her technical ability and working performance. Ms. Li’s total annual cash compensation for the fiscal year ended December 31, 2024, when aggregated with her compensation from our U.S. holding company level, was \$241,600.

Payments upon Termination or Change-in-Control

PRC Law. Under the applicable laws of the PRC, we must pay severance to all employees who are Chinese nationals and who are terminated with or without cause, or whose employment agreement with us expires and we choose not to continue their employment. The severance benefit required to be paid under the laws of the PRC equals the average monthly compensation paid to the terminated employee (including any bonuses or other payments made in the 12 months prior to the employee’s termination) multiplied by the number of years the employee has been employed with us, plus an additional month’s salary if 30 days’ prior notice of such termination has not been given. However, if the average monthly compensation to be received by the terminated employee exceeds three times the average monthly salary of the employee’s local area, as determined and published by the local government, such average monthly compensation shall be capped at three times the average monthly salary of the employee’s local area. Except as described above, our executive officer does not have any other agreement or arrangement under which she may be entitled to severance payments upon termination of employment.

Outstanding Equity Awards at Fiscal Year-End

None.

Discussion of Summary Compensation and Grants of Plan-based Awards Tables

A summary of certain material terms of our existing compensation plans and arrangements is set forth below.

On November 12, 2010, our Board of Directors adopted, and on December 22, 2010 our stockholders approved the 2010 Long-Term Incentive Plan (the “2010 Incentive Plan”). On October 17, 2019, the Board of Directors approved the First Amendment to the 2010 Incentive Plan (the “Amendment No. 1”), pursuant to which the term of the 2010 Incentive Plan shall be extended to December 31, 2029. The Amendment No. 1 was adopted by the stockholders on December 19, 2019. The 2010 Incentive Plan, as amended, gave us the ability to grant stock options, restricted stock, stock appreciation rights and performance units to employees, directors and consultants, or those who will become employees, directors and consultants of our company and/or our subsidiaries. On October 25, 2021, our Board of Directors approved, and on December 27, 2021 our stockholders adopted the Amendment No.2 to our Long-Term 2010 Incentive Plan (the “Plan”) to increase the number of shares of the Common Stock, that are reserved thereunder by 100,000 (500,000 pre reverse stock split) shares from 80,000 (400,000 pre reverse stock split) shares to 180,000 (900,000 pre reverse stock split) shares (the “Amendment”). On October 27, 2022, the Board of Directors approved and on December 27, 2022, the stockholders adopted the Amended and Restated Long Term 2010 Incentive Plan to increase the number of shares of common stock that are reserved thereunder by an additional 100,000 (500,000 pre reverse stock split) shares from 180,000 (900,000 pre reverse stock split) to 280,000 (1,400,000 pre reverse stock split). On October 18, 2023, the Board of Directors approved and on December 17, 2023, the stockholders adopted the Amendment No.1 to the Amended and Restated Long Term 2010 Incentive Plan to increase the number of shares of common stock that are reserved thereunder by an additional 300,000 (1,500,000 pre reverse stock split) shares from 280,000 (1,400,000 pre reverse stock split) to 580,000 (2,900,000 pre reverse stock split). On December 23, 2024, the Board of Directors approved the Amendment No.2 to the Amended and Restated Long Term 2010 Incentive Plan to increase the number of shares of common stock that are reserved thereunder by an additional 116,000 (580,000 pre reverse stock split) shares from 580,000 (2,900,000 pre reverse stock split) to 696,000 (3,480,000 pre reverse stock split). As of March 31, 2025, 482,000 shares of restricted stock were outstanding, and no options were outstanding.

Director Compensation

The following table sets forth information concerning cash and non-cash compensation earned by or paid to our directors during the year ended December 31, 2024.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Heung Mei Tsui	16,000	-	-	-	-	-	16,000
Zhilin Li							
Gene Michael Bennett	16,000	-	-	-	-	-	16,000
Yingwen Zhang	5,565	-	-	-	-	-	5,565
Baowen Dong	5,565	-	-	-	-	-	5,565

Our directors will also be reimbursed for all of their out-of-pocket expenses in traveling to and attending meetings of our Board of Directors and committees on which they serve.

Ms. Zhilin Li, our Chairperson, President and Chief Executive Officer, was also compensated for serving on our board of directors as set forth in the Summary Compensation Table appearing earlier in this Item 11.

Engagement Letters

On December 23, 2024, we renewed the engagement letters with each of our three independent directors. Pursuant to the renewed engagement letters entered into on the same terms and conditions as the previous engagement letters and for a term of one year, each of Mr. Zhang and Mr. Dong is entitled to receive annual compensation of RMB40,000 (approximately \$5,565), payable quarterly and Mr. Bennett is entitled to receive annual compensation of \$16,000, payable quarterly, and a warrant to purchase 5,000 shares of common stock at an exercise price of \$0.19 per share. As of the date of this report, no warrants have been issued to Mr. Bennett.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

The following table sets forth certain information as of March 24, 2025, with respect to the beneficial ownership of our common stock, the sole outstanding class of our voting securities, by (i) any person or group owning more than 5% of each class of voting securities, (ii) each director, (iii) each executive officer and (iv) all executive officers and directors as a group.

As of March 24, 2025, an aggregate of 14,816,865 shares of our common stock were outstanding.

Name and Address of Beneficial Owners(1)(2)	Amount and Nature of Beneficial Ownership	Percent of Class(3)
<i>Directors and Executive Officers</i>		
Zhilin Li President, Chief Executive Officer, Interim Chief Financial Officer and Chairperson of the Board	3,027,613	9.28%
Heung Mei Tsui Director	186,253	0.57%
Yingwen Zhang Director	0	*
Gene Michael Bennett (4) Director	0	*
Baowen Dong Director	0	*
All directors and executive officers as a group (5 persons)	3,213,866	9.85%

Beneficial stockholders with 5% or more ownership

Tao Liu	3,000,000	9.20%
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* Represents less than 1%.

- (1) Pursuant to Rule 13d-3 under the Exchange Act, a person has beneficial ownership of any securities as to which such person, directly or indirectly, through any contract, arrangement, undertaking, relationship or otherwise has or shares voting power and/or investment power or as to which such person has the right to acquire such voting and/or investment power within 60 days.
- (2) Unless otherwise stated, each beneficial owner has sole power to vote and dispose of the shares and the address of such person is c/o China Pharma Holdings, Inc., 2nd Floor, No. 17 Jinpan Road, Haikou, Hainan Province, People's Republic of China 570216.
- (3) In determining the percentage of common stock owned by the beneficial owners, (a) the numerator is the number of shares of common stock beneficially owned by such owner, including shares the owner may acquire, within 60 days of March 24, 2025, upon the exercise of the options or warrants, if any, held by the owner; and (b) the denominator is the sum of (i) the total 32,619,109 shares of common stock outstanding as of March 24, 2025, and (ii) the number of shares underlying any options or warrants, which such owner has the right to acquire upon the exercise of such options or warrants within 60 days of March 24, 2025 (for those who have options or warrants).
- (4) Pursuant to the terms of his engagement letters, Mr. Bennett is entitled to receive warrants to purchase an aggregate of 80,000 shares of our common stock (5,000 shares in each of year between 2008 to 2024 fiscal years). Pursuant to this, on September 9, 2021, the Company issued warrants to Mr. Bennett to purchase 65,000 shares of our common stock. As of the date of this report the remaining warrants have not been issued.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Related Party Transactions

The Company received advances totaling \$2,928 and \$0 and repaid \$0 and \$223,013 of the advances during the years ended December 31, 2023 and 2022, respectively from its Chairperson, Chief Executive Officer and Interim Chief Financial Officer, Ms. Zhilin Li. Total amounts owed were \$1,121,273 and \$1,425,123 and are recorded as Other payables – related parties on the accompanying condensed consolidated balance sheets as of December 31, 2021 and 2020, respectively. On July 8, 2019 the Company entered into a loan agreement in exchange for cash of RMB 4,770,000 (\$738,379) with Ms. Li. The loan bears interest at a rate of 4.35% and is payable within one year of the loan agreement. The due date of the loan agreement has been extended annually on identical terms, and is due July 9, 2023. Total interest expense related to the loan for the years ended December 31, 2023 and 2022 was \$27,644 and \$28,962, respectively. Compensation payable to Ms. Li is included in Other payables in the accompanying consolidated balance sheet totaling \$1,243,506 and \$951,506 as of December 31, 2023 and 2022, respectively.

On July 8, 2019 the Company entered into a loan agreement to borrow cash of RMB 4,770,000 (\$738,379) with its Chairperson, Chief Executive Officer and Interim Chief Financial Officer, Ms. Zhilin Li. The loan bears interest at a rate of 4.35% and is payable within one year of the loan agreement. The due date of the loan agreement was extended to July 9, 2025, on identical terms. There was no net advance or repayment incurred in the years ended December 31, 2024 and 2023, respectively. Total interest expense related to the loan for the year ended December 31, 2024 and 2023 was \$27,353. and \$27,644.

Independence of the Board of Directors

The board of directors has determined that Gene Michael Bennett, Baowen Dong and Yingwen Zhang are “independent directors” as defined in the listing standards of NYSE American.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The aggregate fees billed by Enrome LLP our principal accountant, for professional services rendered for the audit of our annual financial statements included in our Annual Reports on Form 10-K, for the reviews of the financial statements included in our Quarterly Reports on Form 10-Q, and for services in connection with statutory and regulatory filings or engagements were approximately \$125,000 for the fiscal year ended December 31, 2024.

Audit-Related Fees

We did not incur any audit-related fees during the fiscal years ended December 31, 2024 and 2023.

Tax Fees

We did not incur any tax fees during the fiscal year ended December 31, 2024.

All Other Fees

We did not engage our principal accountant to render services to us during the last two fiscal years, other than as reported above.

Pre-Approval Policies and Procedures

Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by our auditors must be approved in advance by our Audit Committee to assure that such services do not impair the auditors’ independence from us. In accordance with its policies and procedures, the Audit Committee pre-approved the audit service performed by Enrome LLP, for our consolidated financial statements as of and for the year ended December 31, 2024.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

Financial Statements

The following financial statements of China Pharma Holdings, Inc. and Reports of Independent Registered Public Accounting Firms are presented in the “F” pages of this report:

Report of Independent Registered Public Accounting Firm (PCAOB ID: 6907)	F-2
Consolidated Balance Sheets - as of December 31, 2024 and 2023	F-4
Consolidated Statements of Operations and Comprehensive Loss - for the years ended December 31, 2024 and 2023	F-5
Consolidated Statements of Stockholders' Equity - for the years ended December 31, 2024 and 2023	F-6
Consolidated Statements of Cash Flows - for the years ended December 31, 2024 and 2023	F-7
Notes to Consolidated Financial Statements	F-8

(b) Exhibits

See the Exhibit Index following the signature page of this report, which Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 31, 2025

CHINA PHARMA HOLDINGS, INC.

By: /s/ Zhilin Li
Name: Zhilin Li
Title: Chief Executive Officer
(principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Zhilin Li</u> Zhilin Li	Chairperson of the Board, President, Chief Executive Officer (principal executive officer) and interim Chief Financial Officer (principal financial officer and principal accounting officer)	March 31, 2025
<u>/s/ Heung Mei Tsui</u> Heung Mei Tsui	Director	March 31, 2025
<u>/s/ Gene Michael Bennett</u> Gene Michael Bennett	Director	March 31, 2025
<u>/s/ Yingwen Zhang</u> Yingwen Zhang	Director	March 31, 2025
<u>/s/ Baowen Dong</u> Baowen Dong	Director	March 31, 2025

CHINA PHARMA HOLDINGS, INC.
Exhibit Index to Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2024

Exhibit No.	Description
3.1	<u>Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on December 31, 2012).</u>
3.2	<u>The First Amended and Restated Articles of Incorporation of the Company (incorporated by reference to our Annual Report on Form 10-K filed on April 1, 2024).</u>
3.3	<u>The Second Amended and Restated Articles of Incorporation of the Company (incorporated by reference to our Annual Report on Form 10-K filed on April 1, 2024).</u>
3.4	<u>Bylaws of the Company (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on December 31, 2012).</u>
4.1	<u>Convertible Promissory Note dated November 17, 2021 (incorporated by reference to our Current Report on Form 8-K filed on November 23, 2021).</u>
4.2	<u>Description of Securities Registered Pursuant to Section 12 of the Exchange Act (incorporated by reference to our Annual Report on Form 10-K filed on March 30, 2022).</u>
10.1	<u>Offer Letter dated December 12, 2018 from the Company and accepted by Ms. Heung Mei Tsui for Ms. Tsui serving as a director of the Company (incorporated by reference to Exhibit 10.1 to our Annual Report on Form 10-K filed on March 28, 2019).</u>
10.2	<u>Offer Letter dated December 12, 2018 from the Company and accepted by Ms. Zhilin Li for Ms. Li serving as a director of the Company (incorporated by reference to Exhibit 10.2 to our Annual Report on Form 10-K filed on March 28, 2019).</u>
10.3	<u>Form of Independent Director Engagement Letter (incorporated by reference to Exhibit 10.2 to our Annual Report on Form 10-K filed on March 30, 2015).</u>
10.4	<u>Employment Agreement dated July 1, 2015 between Hainan Helpson Medical & Biotechnology Co., Ltd. and Zhilin Li (incorporated by reference to Exhibit 10.1 to our Annual Report on Form 10-K filed on March 30, 2016).</u>
10.5	<u>Form of Restricted Stock Grant Agreement between the Company and the grantees under 2010 Long-Term Incentive Plan of the Company (incorporated by reference to our Current Report on Form 8-K filed on June 1, 2011).</u>
10.6	<u>Form of Non-Qualified Stock Option Grant Agreement between the Company and the grantees under 2010 Long-Term Incentive Plan of the Company (incorporated by reference to our Current Report on Form 8-K filed on June 1, 2011).</u>
10.7	<u>Amended and Restate 2010 Long-Term Incentive Plan of China Pharma Holdings, Inc. (incorporated by reference to the Appendix A of our Proxy Statement on Schedule 14A filed on November 14, 2022).</u>
10.8	<u>Amendment No.1 to the Amended and Restate 2010 Long-Term Incentive Plan of China Pharma Holdings, Inc. (incorporated by reference to the Appendix A of our Proxy Statement on Schedule 14A filed on November 7, 2023).</u>

10.9	Amendment to the Convertible Note. (incorporated by reference to our Current Report on Form 8-K filed on April 20, 2023)
10.10	Securities Purchase Agreement between China Pharma Holdings, Inc. and Streeterville Capital, LLC dated November 17, 2021 (incorporated by reference to our Current Report on Form 8-K filed on November 23, 2021).
10.11	Technology Transfer Contract between Hainan Helpson Medical & Biotechnology Co., Ltd and Chengdu Bonier Medical Technology Development Co., Ltd. dated November 28, 2022 (incorporated by reference to our Current Report on Form 8-K filed on December 2, 2022)
10.12	Loan Settlement Agreement between China Pharma Holdings, Inc. and Ms. Zhilin Li (incorporated by reference to our Annual Report on Form 10-K filed on April 1, 2024).
10.13	Technology Transfer Agreement between Hainan Helpson Medical & Biotechnology Co., Ltd and Tao Liu (incorporated by reference to our Annual Report on Form 10-K filed on April 1, 2024).
10.14	Technology Transfer Agreement between Hainan Helpson Medical & Biotechnology Co., Ltd and Lihua Li (incorporated by reference to our Annual Report on Form 10-K filed on April 1, 2024).
10.15	Office Lease for Second Floor of the Company's Principal Executive Office Dated June 5, 2023 (incorporated by reference to our Annual Report on Form 10-K filed on April 1, 2024).
10.16	Office Lease for Third Floor of the Company's Principal Executive Office Dated June 5, 2023 (incorporated by reference to our Annual Report on Form 10-K filed on April 1, 2024).
14.1	Code of Business Conduct and Ethics (incorporated by reference to the Registration Statement on Form S-1 filed on July 11, 2008).
19.1*	Insider Trading Policy of the Company
21.1	Subsidiaries of the Company (incorporated by reference to our Annual Report on Form 10-K filed on March 3, 2011).
23.1*	Consent of the Independent Accounting Firm.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a) of the Exchange Act.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a) of the Exchange Act.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1	Compensation Recovery Policy of the Company (incorporated by reference to our Annual Report on Form 10-K filed on April 1, 2024).
101*	Interactive data files pursuant to Rule 405 of Regulation S-T
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Exhibits filed herewith.

CHINA PHARMA HOLDINGS, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of China Pharma Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of China Pharma Holdings, Inc. and its subsidiaries (the “Company”) as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive loss, changes in stockholders’ equity and cash flows for each of the years ended December 31, 2024 and 2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial condition of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years ended December 31, 2024 and 2023, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1 to the consolidated financial statements as of December 31, 2024, the Company had a working capital deficit of \$1.7 million and had an accumulated deficit of \$44.0 million. In addition, the Company had incurred net losses of \$4.7 million and had negative cash flows from operating activities of \$0.5 million for the year ended December 31, 2024. This condition raises substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provided a reasonable basis for our opinion.

Critical Audit Matter

Critical audit matters are matters arising from the current-period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosure to which it relates.

Valuation of intangible assets

As described in Note 5 to the consolidated financial statements, the balances of intangible assets were \$11.7 million and \$8.1 million as of December 31, 2024 and 2023, respectively. On November 22, 2024, February 2, 2024 and December 15, 2023, the Company entered into several technology transfer agreements to obtain invention patents through issuance of shares of common stock. The Company recorded the amount as intangible assets based on the closing market price of the Company's common stock as of the closing date.

The principal considerations for our determination that auditing management's assessment of valuation of intangible assets is a critical audit matter included the significant judgment made by management when considering factors in assessing impairment of the intangible assets as described above, as well as the likelihood of the occurrence of these factors impacting the impairment. In turn, such management's assessment led to challenging and subjective auditor judgment in performing our audit procedures.

Our audit of valuation of intangible assets included, but was not limited to, the following procedures:

- understanding of controls relating to management assessment of the intangible assets.
- reviewing and evaluating the reasonableness of management's impairment assessment, including its supporting evidence.
- testing the depreciation based on the validity period of the invention patents.
- evaluating the sufficiency of the Company's disclosures to intangible assets.

/s/ Enrome LLP

We have served as the Company's auditor since 2024

Singapore

March 31, 2025

CHINA PHARMA HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(AMOUNT IN U.S. DOLLARS, EXCEPT FOR SHARE DATA)

	December 31, 2024	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 626,879	\$ 1,423,838
Banker's acceptances	18,642	65,915
Trade accounts receivable, less allowance for credit losses of \$13,587,182 and \$13,786,074, respectively	232,140	504,448
Other receivables, less allowance for doubtful accounts of \$28,447 and \$27,017, respectively	30,286	157,944
Advances to suppliers	14,960	2,013
Inventories	2,266,154	3,732,517
Prepaid expenses	81,328	110,258
Total Current Assets	3,270,389	5,996,933
Property, plant and equipment, net	4,883,401	7,100,425
Right-of-use assets	38,298	116,610
Intangible assets, net	6,695,436	3,255,232
TOTAL ASSETS	\$ 14,887,524	\$ 16,469,200
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 225,106	\$ 966,420
Accrued expenses	247,159	298,829
Other payables	2,182,982	2,282,692
Contract liabilities	162,208	90,507
Borrowings from related party	1,144,985	1,133,809
Lease liabilities	39,323	77,727
Current portion of lines of credit	1,015,525	1,030,680
Convertible, redeemable note payable, net of issue discount	-	940,000
Total Current Liabilities	5,017,288	6,820,664
Non-current Liabilities:		
Lines of credit, net of current portion	1,391,130	1,411,891
Deferred tax liabilities	731,202	742,114
Lease liabilities	-	39,910
Total Liabilities	7,139,620	9,014,579
Commitments and Contingencies (Note 14)		
Stockholders' Equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.001 par value; 500,000,000 shares authorized; 32,619,109 shares and 10,625,788 shares issued and outstanding, respectively	32,618	10,625
Additional paid-in capital	40,602,323	35,282,256
Securities purchase agreement receivable	(180,000)	-
Accumulated deficit	(44,026,679)	(39,290,314)
Accumulated other comprehensive income	11,319,642	11,452,054
Total Stockholders' Equity	7,747,904	7,454,621
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 14,887,524	\$ 16,469,200

The accompanying notes are an integral part of these consolidated financial statements.

CHINA PHARMA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(AMOUNT IN U.S. DOLLARS, EXCEPT FOR SHARE DATA)

	For the Years	
	Ended December 31,	
	2024	2023
Revenue	\$ 4,528,929	\$ 7,011,299
Cost of revenue	6,514,577	7,292,384
Gross loss	(1,985,648)	(281,085)
Operating expenses:		
Selling expenses	528,824	780,328
General and administrative expenses	1,784,750	1,466,084
Research and development expenses	283,942	240,080
Credit loss expenses (gains)	5,702	(15,757)
Total operating expenses	2,603,218	2,470,735
Loss from operations	(4,588,866)	(2,751,820)
Other income (expense):		
Interest income	6,641	6,602
Interest expense	(154,140)	(333,600)
Net other expense	(147,499)	(326,998)
Loss before income taxes	(4,736,365)	(3,078,818)
Income tax expense	-	-
Net loss	(4,736,365)	(3,078,818)
Other comprehensive (loss) - foreign currency translation adjustment	(132,412)	(121,011)
Comprehensive loss	\$ (4,868,777)	\$ (3,199,829)
Loss per share:		
Basic and diluted	\$ (0.27)	\$ (0.91)
Weighted average shares outstanding	17,463,723	3,383,573

The accompanying notes are an integral part of these consolidated financial statements.

CHINA PHARMA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(AMOUNT IN U.S. DOLLARS, EXCEPT FOR SHARE DATA)

	Common Stock		Additional Paid-in Capital	Securities Purchase Agreement Receivable	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount					
Balance as of December 31, 2022	1,498,180	\$ 1,498	\$ 28,926,931	\$ -	\$ (36,211,496)	\$ 11,573,065	\$ 4,289,998
Issuance of common stock for intangible assets	3,000,000	3,000	1,647,000	-	-	-	1,650,000
Conversions of note payable to common stock	3,362,111	3,362	2,856,638	-	-	-	2,860,000
Conversion of related party note and interest	2,751,412	2,751	1,851,701	-	-	-	1,854,452
Net loss for the year	-	-	-	-	(3,078,818)	-	(3,078,818)
Foreign currency translation adjustment	-	-	-	-	-	(121,011)	(121,011)
Share rounding due to reverse split	14,085	14	(14)	-	-	-	-
Balance as of December 31, 2023	10,625,788	10,625	35,282,256	-	(39,290,314)	11,452,054	7,454,621
Conversions of Note Payable to common stock	6,443,321	6,443	1,460,617	-	-	-	1,467,060
Issuances of common stock for intangible assets	14,650,000	14,650	3,680,350	-	-	-	3,695,000
Issuance of common for securities purchase agreement	900,000	900	179,100	(180,000)	-	-	-
Net loss for the year	-	-	-	-	(4,736,365)	-	(4,736,365)
Foreign currency translation adjustment	-	-	-	-	-	(132,412)	(132,412)
Balance as of December 31, 2024	32,619,109	\$ 32,618	\$ 40,602,323	\$ (180,000)	\$ (44,026,679)	\$ 11,319,642	\$ 7,747,904

The accompanying notes are an integral part of these consolidated financial statements.

CHINA PHARMA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNT IN U.S. DOLLARS, EXCEPT FOR SHARE DATA)

	For the Years Ended December 31,	
	2024	2023
Cash Flows from Operating Activities:		
Net loss	\$ (4,736,365)	\$ (3,078,818)
Depreciation and amortization	2,618,066	2,753,653
Credit losses (gains)	5,702	(15,757)
Inventory write off	450,738	(7,974)
Write off of property, plant & equipment	-	45,385
Changes in assets and liabilities:		
Trade accounts and other receivables	(197,708)	(938,021)
Advances to suppliers	(13,099)	437,431
Inventories	1,606,888	(17,058)
Trade accounts payable	(733,916)	312,045
Other payables and accrued expenses	432,051	257,778
Contract liabilities	73,716	(423,261)
Prepaid expenses	27,565	(25,089)
Net Cash Used in Operating Activities	(466,362)	(699,686)
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment, net	(38,411)	(11,517)
Advances for intangible assets	(253,307)	-
Net Cash used in Investing Activities	(291,718)	(11,517)
Cash Flows from Financing Activities:		
Payments of line of credit	(492,761)	(1,490,049)
Proceeds from lines of credit	492,761	1,532,622
Proceeds from related party	27,353	30,572
Net Cash Provided By Financing Activities	27,353	73,145
Effect of Exchange Rate Changes on Cash	(66,232)	31,925
Net Decrease in Cash and Cash Equivalents	(796,959)	(606,133)
Cash and Cash Equivalents at Beginning of Year	1,423,838	2,029,971
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 626,879	\$ 1,423,838
Supplemental Cash Flow Information:		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 86,765	\$ 92,439
Supplemental Non-Cash Flow Information:		
Conversions of Note Payable and interest to common stock	1,467,060	1,854,542
Issuances of stock for intangible assets	3,695,000	1,650,000
Issuance of common for securities purchase agreement	180,000	-
Lease liabilities arising from obtaining right-of-use assets	-	156,273

The accompanying notes are an integral part of these consolidated financial statements.

CHINA PHARMA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations – China Pharma Holdings, Inc., a Nevada corporation (the “Company” or “China Pharma”), owns 100% of Onny Investment Limited (“Onny”), a British Virgin Islands corporation, which owns 100% of Hainan Helpson Medical & Biotechnology Co., Ltd (“Helpson”), a company organized under the laws of the People’s Republic of China (the “PRC”). China Pharma Holdings, Inc. and its subsidiaries are referred to herein as the Company.

Onny acquired 100% of the ownership in Helpson on May 25, 2005, by entering into an Equity Transfer Agreement with Helpson’s three former shareholders. The transaction was approved by the Commercial Bureau of Hainan Province on June 12, 2005 and Helpson received the Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC on the same day. Helpson received its business license evidencing its Wholly Foreign Owned Enterprise (“WFOE”) status on June 21, 2005.

Helpson is principally engaged in the development, manufacture and marketing of pharmaceutical products for human use in connection with a variety of high-incidence and high-mortality diseases and medical conditions prevalent in the PRC. All of its operations are conducted in the PRC, where its manufacturing facilities are located. Helpson manufactures pharmaceutical products in the form of dry powder injectables, liquid injectables, tablets, capsules, and cephalosporin oral solutions. The majority of its pharmaceutical products are sold on a prescription basis and all have been approved for at least one or more therapeutic indications by the National Medical Products Administration (the “NMPA”, formerly China Food and Drug Administration, or CFDA) based upon demonstrated safety and efficacy.

Liquidity and Going Concern

As of December 31, 2024, the Company had cash and cash equivalents of \$0.6 million and an accumulated deficit of \$44.0 million and the Company’s current liabilities exceeded current assets by \$1.7 million. In addition, the Company had incurred net losses of \$4.7 million and had negative cash flows from operating activities of \$0.5 million for the year ended December 31, 2024. The Company’s Chairperson, Chief Executive Officer and Interim Chief Financial Officer Ms. Li has advanced an aggregate of \$1,144,985 as of December 31, 2024 to provide working capital and enabled the Company to make the required payments related to its former construction loan facility. The Company anticipates operating losses to continue for the foreseeable future due to, among other things, costs related to the production of its existing products, debt service costs and selling and administrative costs. These conditions raise substantial doubt about its ability to continue as a going concern within one year after the date that the financial statements are issued. To alleviate the conditions that raise substantial doubt about the Company’s ability to continue as a going concern, management plans to enhance the sales model of advance payment, and further strengthen its collection of accounts receivable. Further, the Company is currently exploring strategic alternatives to accelerate the launch of nutrition products. In addition, management believes that the Company’s existing property, plant and equipment can serve as collateral to support additional bank loans. The Company will take multiple measures simultaneously in aspects such as procurement, production, human resources, and marketing to reduce operating costs. In terms of procurement, based on the actual situation, the Company will try to carry out centralized procurement as much as possible to enhance its bargaining power with suppliers. In terms of production, the Company will arrange production more reasonably. For example, it will reduce power costs through measures such as centralized production and off-peak power consumption. And by flexibly deploying production personnel, it will save production labor costs. In terms of human resources, the Company will reasonably adjust the staffing, motivate employees to improve work efficiency and work quality, thereby reducing labor costs. In terms of marketing, it will reduce marketing costs through precise marketing and optimizing marketing channels. In addition, the Company will also strengthen the training of employees in various aspects such as production and cost control, enhance the cost awareness of all employees, and apply this awareness to their work. The current plans will allow the Company to fund its operations in the next twelve months, the Company will be able to achieve its future strategic alternatives and has the ability to continue as a going concern.

Pursuant to the requirements of Accounting Standards Codification (ASC) 205-40, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are issued. This evaluation initially does not take into consideration the potential mitigating effect of management’s plans that have not been fully implemented as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company’s ability to continue as a going concern. The mitigating effect of management’s plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued.

Under ASC 205-40, the strategic alternatives being pursued by the Company cannot be considered probable at this time because none of the Company’s current plans have been finalized at the time of the issuance of these financial statements and the implementation of any such plan is not probable of being effectively implemented as none of the plans are entirely within the Company’s control. Accordingly, substantial doubt is deemed to exist about the Company’s ability to continue as a going concern within one year after the date these financial statements are issued.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

CHINA PHARMA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

Reverse Stock Splits – Effective March 6, 2024, China Pharma implemented a 1-for-5 reverse stock split as more fully discussed in Note 13. All share and per share disclosures have been retroactively restated to reflect the impact of the reverse stock split. Effective March 6, 2023, China Pharma implemented a 1-for-10 reverse stock split as more fully discussed in Note 13. All share and per share disclosures have been retroactively restated to reflect the impact of the reverse stock split.

Consolidation and Basis of Presentation – The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and are expressed in United States dollars. The accompanying consolidated financial statements include the accounts and operations of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidation.

Helpson’s functional currency is the Chinese Renminbi. Helpson’s revenue and expenses are translated into United States dollars at the average exchange rate for the period. Assets and liabilities are translated at the exchange rate as of the end of the reporting period. Gains or losses from translating Helpson’s financial statements are included in accumulated other comprehensive income, which is a component of stockholders’ equity. Gains and losses arising from transactions denominated in a currency other than the functional currency of the entity that is party to the transaction are included in the results of operations.

Accounting Estimates - The methodology used to prepare the Company’s financial statements is in conformity with U.S. GAAP, which requires the management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Therefore, actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include interest bearing and non-interest bearing bank deposits, money market accounts, and short-term banker’s acceptances notes purchased with maturities of three months or less.

Trade Accounts Receivable and Allowance for Doubtful Accounts – Trade accounts receivables are carried at the original invoiced amounts less an allowance for credit losses. The allowances for credit losses are calculated based on the current expected credit losses model based on a detailed review of certain individual customer accounts and an estimation of the overall economic conditions affecting the Company’s customer base. The Company reviews a customer’s credit history before extending credit to the customer. If the financial condition of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additions to the allowance would be required. A provision is made against accounts receivable to the extent they are considered unlikely to be collected. Charges (credits) to credit losses (gains) totaled \$5,702 and (\$15,757) for the years ended December 31, 2024 and 2023, respectively.

Trade accounts receivable that have been fully allowed for and determined to be uncollectible are charged against the allowance in the period the determination is made. The Company charged off uncollectible trade accounts receivable balances in the amount of \$0 and \$0 against the allowance for the years ended December 31, 2024 and 2023, respectively. Customer balances outstanding for more than one year are allowed for at a greater rate than more current balances when calculating the allowance for doubtful accounts.

Advances to Suppliers and Advances from Customers – Common practice in the PRC is to make advances to suppliers for materials and to receive advances from customers for finished products. Advances to suppliers are applied to trade accounts payable when the materials are received. Advances received from customers are applied against trade accounts receivable when finished products are sold. The Company reviews a supplier’s credit history and background information before advancing a payment. If the financial condition of its suppliers were to deteriorate, resulting in an impairment of their ability to deliver goods or provide services, the Company would recognize bad debt expense in the period they are considered unlikely to be collected.

Inventory – Inventory consists of raw materials, work in process and finished goods and is stated at the lower of cost or net realizable value. Cost is determined using a weighted average. For work in process and manufactured inventories, cost consists of raw materials, direct labor and an allocated portion of the Company’s production overhead. The Company writes down excess and obsolete inventory to its estimated net realizable value based upon assumptions about future demand and market conditions. For finished goods and work in process, if the estimated net realizable value for an inventory item, which is the estimated selling price in the ordinary course of business, less reasonably predicible costs to completion and disposal, is lower than its cost, the specific inventory item is written down to its estimated net realizable value. Net realizable value for raw materials is based on replacement cost. Provisions for inventory write-downs are included in the cost of revenues in the consolidated statements of operations. Inventories are carried at this lower cost basis until sold or scrapped. A total of \$450,738 and \$7,974 was written off during the years ended December 31, 2024 and 2023, respectively.

CHINA PHARMA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

Leases – At lease commencement, the Company records a lease liability based on the present value of lease payments over the expected lease term including any options to extend the lease that the Company is reasonably certain to exercise. The Company calculates the present value of lease payments using an incremental borrowing rate as the Company’s leases do not provide an implicit interest rate. The Company’s incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. At the lease commencement date, the Company records a corresponding right-of-use lease asset based on the lease liability, adjusted for any lease incentives received and any initial direct costs paid to the lessor prior to the lease commencement date. The Company may enter into leases with an initial term of 12 months or less (“Short-Term Leases”). For any Short-Term Leases, the Company records the rent expense on a straight-line basis and does not record the leases on the balance sheet.

After lease commencement, the Company measures its leases as follows: (i) the lease liability based on the present value of the remaining lease payments using the discount rate determined at lease commencement and (ii) the right-of-use lease asset based on the remeasured lease liability, adjusted for any unamortized lease incentives received, any unamortized initial direct costs and the cumulative difference between rent expense and amounts paid under the lease agreement. Any lease incentives received and any initial direct costs are amortized on a straight-line basis over the expected lease term. Rent expense is recorded on a straight-line basis over the expected lease term.

Valuation of Long-Lived Assets – The carrying values of long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying values may not be recoverable. When such an event occurs, the Company projects the undiscounted cash flows to be generated from the use of the asset and its eventual disposition over the remaining life of the asset. If projections indicate that the carrying value of an asset will not be recovered, it is reduced by the estimated excess of the carrying value over the projected discounted cash flows estimated to be generated by the asset. If there is uncertainty both in timing and amount, the Company will use the projected discounted cash flows to be generated by the asset. For the years ended December 31, 2024 and 2023, the Company evaluated its long-lived assets and determined that no impairment adjustments were necessary.

Property, Plant and Equipment – Property, plant and equipment are stated at cost. Maintenance and repairs are charged to expenses as incurred and major improvements are capitalized. Gains or losses on sale, trade-in or retirement are included in operations during the period of disposition. Depreciation relating to office equipment was included in general and administrative expenses, while all other depreciation was included in cost of revenue.

Revenue Recognition – Revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration that an entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company does not disaggregate its revenue streams as the economic factors underlying the contracts are similar and provide no significant distinction. The amount of revenue that is recorded reflects the consideration that the Company expects to receive in exchange for those goods. The Company applies the following five-step model in order to determine this amount: (i) identification of the promised goods in the contract; (ii) determination of whether the promised goods are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations the Company must deliver and which of these performance obligations are distinct. The Company recognizes as revenues the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. The Company’s contracts are fixed price and reflect standalone pricing for each item. Due to the nature of the products sold, there are no returns. Generally, the Company’s performance obligations are transferred to customers at a point in time, typically upon buyer’s designated carrier or the buyer picks up the goods at the Company’s warehouse.

CHINA PHARMA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

For all reporting periods, the Company has not disclosed the value of unsatisfied performance obligations for all product revenue contracts with an original expected length of one year or less, which is an optional exemption that is permitted under the adoption rules. The Company has received advance deposits for orders less than one year. These advances total \$162,208 and \$90,507 and are recorded as a liability on the accompanying balance sheet as “Contract liabilities” as of December 31, 2024 and 2023, respectively.

Cost of Revenues – Cost of revenues includes wages, materials, depreciation, handling charges, and other expenses associated with the manufacture and delivery of products.

Research and Development – Research and development expenditures are recorded as expenses in the period in which they occur.

Credit Risk – The carrying amount of accounts receivable included in the balance sheet represents the Company’s exposure to credit risk in relation to its financial assets. No other financial asset carries a significant exposure to credit risk. The Company performs ongoing credit evaluations of each customer’s financial condition. The Company maintains allowances for doubtful accounts and such allowances in aggregate have not exceeded management’s estimates.

The Company has its cash in bank deposits primarily at state owned banks located in the PRC. Historically, deposits in PRC banks have been secured due to the state policy of protecting depositors’ interests. The PRC promulgated a Bankruptcy Law in August 2006, effective June 1, 2007, which contains provisions for the implementation of measures for the bankruptcy of PRC banks. Company bank accounts in China are not subject to a certain insurance coverage and will follow the provisions set forth in the PRC Bankruptcy Law should any bank where the Company has accounts declare bankruptcy.

Interest Rate Risk – The Company is exposed to the risk arising from changing interest rates, which may affect the ability of repayment of existing debts and viability of securing future debt instruments within the PRC.

Loss Per Share - Basic loss per share is calculated by dividing loss available to common stockholders by the weighted-average number of shares of common stock outstanding, excluding unvested stock. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the potential common shares, including unvested stock, had been issued and if the additional common shares were dilutive.

As of December 31, 2024, the Company has potentially dilutive common shares related to the option to purchase 13,300 shares of common stock is excluded from the computation of diluted net loss per share for all periods presented because the effect is anti-dilutive due to net losses of the Company.

Recent Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses”. The amendments in this ASU are intended to improve financial reporting by requiring that public business entities disclose additional information about specific expense categories in the notes to financial statements at interim and annual reporting periods. For interim and annual reporting periods, an entity shall disaggregate, in a tabular format disclosure in the notes to financial statements, all relevant expense captions presented on the face of the income statement in continuing operations into the purchases of inventory, employee compensation, depreciation, amortization, and depletion. This ASU is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in this Update should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this Update or (2) retrospectively to any or all prior periods presented in the financial statements. We are currently evaluating the impact the adoption of ASU 2024-03 will have on its consolidated financial statements and related disclosures. We do not expect the adoption of this accounting standard to have an impact on our Consolidated Financial Statements but will require certain additional disclosures.

In November 2024, the FASB issued ASU 2024-04, Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments. The ASU provides additional guidance on whether induced conversion or extinguishment accounting should be applied to certain settlements of convertible debt instruments that do not occur in accordance with the instruments’ preexisting terms. The ASU requires entities to apply a preexisting contract approach. To qualify for induced conversion accounting under this approach, the inducement offer is required to preserve the form of consideration and result in an amount of consideration that is no less than that issuable pursuant to the preexisting conversion privileges. ASU 2024-04 clarifies how entities should assess the form and amount of consideration when applying this approach. In addition, the new ASU clarifies that induced conversion accounting can be applied to settlements of certain convertible debt instruments that are not currently convertible as long as the instrument contained a substantive conversion feature as of both its issuance date and the inducement offer acceptance date. The amendments in the ASU are effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted. We are currently evaluating the impact the adoption of ASU 2024-03 will have on its combined financial statements and related disclosures.

From time to time, the FASB or other standards setting bodies issue new accounting pronouncements. Updates to the FASB ASC are communicated through issuance of ASUs. Unless otherwise discussed, the Company believes that the recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on its consolidated financial statements upon adoption.

CHINA PHARMA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, consist of the following:

	December 31, 2024	December 31, 2023
Trade accounts receivable	13,819,322	14,290,522
Less: allowance for credit losses	(13,587,182)	(13,786,074)
Trade accounts receivable, net	<u>\$ 232,140</u>	<u>\$ 504,448</u>

Our allowance for credit losses estimate practice using the current expected credit loss method is that we consider accounts receivable balances aged within 180 days current, except for any individual uncollectible account assessed by management. We account for the following respective percentage as bad debt allowance based on age of the accounts receivables: 10% of accounts receivable that are between 180 days and 365 days old, 70% of accounts receivable that are between 365 days and 720 days old, and 100% of accounts receivable that are greater than 720 days old.

We recognize credit losses per actual write-offs as well as changes of allowance for doubtful accounts. To the extent that our current allowance for doubtful accounts is higher than that of the previous period, we recognize a credit loss for the difference during the current period, and when the current allowance is lower than that of the previous period, we recognize a gain from the reversal of the allowance for doubtful accounts for the difference. The allowance for doubtful account balances were \$13.59 million and \$13.79 million as of December 31, 2024 and 2023, respectively. The changes in the allowances for doubtful accounts during the years ended December 31, 2024 and 2023 were as follows:

	For the Years Ended December 31,	
	2024	2023
At the beginning of the year	13,786,074	16,739,527
Credit loss expenses (gains)	5,702	(15,757)
Credit loss write-offs	-	(2,671,896)
Foreign currency translation adjustment	(204,594)	(265,800)
At the end of the year	<u>13,587,182</u>	<u>13,786,074</u>

NOTE 3 – INVENTORIES

Inventories consisted of the following:

	December 31, 2024	December 31, 2023
Raw materials	\$ 880,571	\$ 1,885,615
Work in process	340,404	413,597
Finished goods	1,619,250	1,562,725
Total Inventories	<u>2,840,225</u>	<u>3,861,937</u>
Less: Provision for obsolescence	(574,071)	(129,420)
	<u>\$ 2,266,154</u>	<u>\$ 3,732,517</u>

Changes to the provision for obsolescence consisted of the following:

	December 31, 2024	December 31, 2023
At the beginning of the year	\$ 129,420	\$ 139,682
Charges (credits) to provision	450,738	(7,974)
Exchange rate	(6,087)	(2,288)
At the end of the year	<u>\$ 574,071</u>	<u>\$ 129,420</u>

CHINA PHARMA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

	December 31, 2024	December 31, 2023
Permit of land use	\$ 391,836	\$ 397,684
Building	9,099,045	9,234,836
Plant, machinery and equipment	26,835,227	27,170,123
Motor vehicle	265,255	303,697
Office equipment	390,434	388,740
Total	36,981,797	37,495,080
Less: accumulated depreciation	(32,098,396)	(30,394,655)
Property, plant and equipment, net	\$ 4,883,401	\$ 7,100,425

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Life - years
Permit of land use	40 - 70
Building	20 - 49
Plant, machinery and equipment	5 - 10
Motor vehicle	5 - 10
Office equipment	3-5

Depreciation relating to office equipment was included in general and administrative expenses, while all other depreciation was included in cost of revenue. Depreciation expense was \$2,170,820 and \$2,529,857 for the years ended December 31, 2024 and 2023, respectively.

NOTE 5 - INTANGIBLE ASSETS

Intangible assets represent the cost of medical formulas approved for production by the NMPA, the intellectual property acquired (“Bonier Agreement”) from Chengdu Bonier Medical Technology Development Co., Ltd. (“Bonier”), and the Technology Transfer Agreements discussed below. No costs were reclassified from advances to intangible assets during the years ended December 31, 2024 and 2023, respectively.

Approved medical formulas are amortized from the date NMPA approval is obtained over their individually identifiable estimated useful life, which range from ten to thirteen years. The acquired intellectual property is being amortized over the life of the patents, which range from 10 to 20 years. It is at least reasonably possible that a change in the estimated useful lives of the medical formulas could occur in the near term due to changes in the demand for the drugs and medicines produced from these medical formulas. Amortization expense relating to intangible assets was \$447,246 and \$223,796 for the years ended December 31, 2024 and 2023, respectively which was included in the general and administrative expenses. Medical formulas and the acquired technology typically do not have a residual value at the end of their amortization period.

On November 22, 2024, Helpson entered into a Technology Transfer Agreement (the “Li Yong Agreement”) with Li Yong (“Transferor Yong”). Transferor Yong owns an invention patent of a pharmaceutical composition for treatment of psoriatic arthritis and moderate to severe plaque psoriasis (the “Yong Invention Patent”). Pursuant to the Li Yong Agreement, Transferor Yong will transfer the ownership of the Yong Invention Patent to Helpson.

The aggregate transfer price as contemplated by the Agreement is \$580,000 which was paid to the Transferor and his two designees upon the issuance of 2,900,000 shares of common stock of the Company at \$0.20 per share based on the closing market price of the Company’s common stock as of the closing date of December 2, 2024. The Company recorded the amount as intangible assets on the accompanying balance sheet as of the closing date.

On November 22, 2024, Helpson entered into a Technology Transfer Agreement (the “Zhao Xijun Agreement”) with Zhao Xijun (“Transferor Xijun”). Transferor Xijun owns an invention patent of a riboflavin stomach floating tablet and a preparation method thereof (the “Xijun Invention Patent”). Pursuant to the Li Yong Agreement, Transferor Yong will transfer the ownership of the Xijun Invention Patent to Helpson and provide relevant technical services.

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The aggregate transfer price as contemplated by the Agreement is \$580,000 which was paid to the Transferor and his two designees upon the issuance of 2,900,000 shares of common stock of the Company at \$0.20 per share based on the closing market price of the Company's common stock as of the closing date of December 2, 2024. The Company recorded the amount as intangible assets on the accompanying balance sheet as of the closing date.

On November 22, 2024, Helpson entered into a Technology Transfer Agreement (the "Zhao Chunhai Agreement") with Zhao Chunhai ("Transferor Chunhai"). Transferor Chunhai owns an invention patent of a pharmaceutical composition for the treatment of gray nail (the "Chunhai Invention Patent"). Pursuant to the Zhao Chunhai Agreement, Transferor Chunhai will transfer the ownership of the Chunhai Invention Patent to Helpson and provide relevant technical services.

The aggregate transfer price as contemplated by the Agreement is \$600,000 which was paid to the Transferor and his two designees upon the issuance of 3,000,000 shares of common stock of the Company at \$0.20 per share based on the closing market price of the Company's common stock as of the closing date of December 2, 2024. The Company recorded the amount as intangible assets on the accompanying balance sheet as of the closing date.

On November 22, 2024, Helpson entered into a Technology Transfer Agreement (the "Du Pingping Agreement") with Du Pingping ("Transferor Pingping"). Transferor Pingping owns an invention patent drug composition of ansetropisimvastatin (the "Pingping Invention Patent"). Pursuant to the Du Pingping Agreement, Transferor Pingping will transfer the ownership of the Pingping Invention Patent to Helpson and provide relevant technical services.

The aggregate transfer price as contemplated by the Agreement is \$570,000 which was paid to the Transferor and his two designees upon the issuance of 2,850,000 shares of common stock of the Company at \$0.20 per share based on the closing market price of the Company's common stock as of the closing date of December 2, 2024. The Company recorded the amount as intangible assets on the accompanying balance sheet as of the closing date.

On February 2, 2024, Helpson entered into a Technology Transfer Agreement (the "Lihua Li Agreement") with Lihua Li ("Transferor Li"). Transferor Li owns an invention patent of a pharmaceutical composition for treatment of psoriasis (the "Li Invention Patent"). Pursuant to the Lihua Li Agreement, Transferor Li will transfer the ownership of the Li Invention Patent to Helpson. Transferor Li or his designated third party shall provide relevant technical services in Haikou, which include but are not limited to product research and development, writing of registration materials, registration application.

The aggregate transfer price as contemplated by the Agreement is \$1.365 million which was paid to the Transferor and his two designees upon the issuance of 3,000,000 shares of common stock of the Company at \$0.455 per share based on the closing market price of the Company's common stock as of the closing date. The Company recorded the amount as intangible assets on the accompanying balance sheet as of the closing date. The value of the intangible asset will be amortized over its remaining useful life of approximately 20 years. During the ten years after the product launches to the market, if and only if the product generates profit, Helpson shall pay 10% of the net profit of the sales in cash on an annual basis to Transferor Li.

On December 15, 2023, the Company entered into a Technology Transfer Agreement (the "Tao Liu Agreement") with Tao Liu ("Transferor Liu"). Transferor Liu owns an invention patent of a drug combination for the treatment of chronic obstructive pulmonary disease (the "Liu Invention Patent"). Pursuant to the Tao Liu Agreement, Transferor Liu will transfer the ownership of the Liu Invention Patent to Helpson. Transferor Liu or his designated third party shall provide relevant technical services in Haikou, which include but are not limited to product research and development, writing of registration materials, registration application and other technical services.

During the ten years after the product launches to the market, if and only if the product generates profit, Helpson shall pay 15% of the net profit of the sales in cash on an annual basis to Transferor Liu.

On November 28, 2022, the Company entered into a Technology Transfer Contract with Bonier. Bonier owns the know-how of a technical invention and creation of an ophthalmic oxygen enriched atomization therapeutic instrument, which has obtained a utility model patent (the "Utility Model Patent") and applied for an invention patent (the "Bonier Invention Patent") at the same time. Pursuant to the Bonier Agreement, Bonier will transfer the ownership of the Utility Model Patent of the technical invention and the Bonier Invention Patent application right of the invention to Helpson. Bonier or its designated third party shall provide relevant technical services in Haikou, which include but are not limited to product research and development, writing of registration materials, registration application and other technical services, with a term of ten years.

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The Company will pay a service fee of 15% of the net profit of the corresponding product sales revenue, which will be paid in cash annually after it launches to the market, contingent on the successful authorization of the above mentioned Bonier Invention Patent.

There were no service fees or profit payments paid related to the above three agreements for the years ended December 31, 2024 and 2023, respectively.

The Company evaluates each approved medical formula for impairment at the date of NMPA approval, when indications of impairment are present and also at the date of each financial statement. The Company's evaluation is based on an estimated undiscounted net cash flow model, which considers currently available market data for the related drug and the Company's estimated market share. If the carrying value of the medical formula exceeds the estimated future net cash flows, an impairment loss is recognized for the excess of the carrying value over the fair value of the medical formula, which is determined by the estimated discounted future net cash flows. No impairment loss was recognized during the years ended December 31, 2024 and 2023.

Intangible assets consisted of NMPA approved medical formulas, a Utility Model Patent and two Invention Patents as follows:

	December 31, 2024	December 31, 2023
NMPA approved medical formulas	\$ 4,696,267	\$ 4,766,353
Technology from Bonier	1,701,110	1,726,497
Invention Patents	5,308,930	1,653,028
	<u>11,706,307</u>	<u>8,145,878</u>
Accumulated amortization	(5,261,827)	(4,890,646)
Net carrying amount	6,444,480	3,255,232
Intangible assets in process	250,956	-
	<u>\$ 6,695,436</u>	<u>\$ 3,255,232</u>

The estimated aggregate annual amortization expense for each of the next five years and thereafter is as follows:

Year	Amount
2025	526,118
2026	497,612
2027	497,612
2028	497,612
2029	497,612
Thereafter	4,178,870
Total	<u>\$ 6,695,436</u>

NOTE 6 – OTHER PAYABLES

Other Payables consisted of the following:

	December 31, 2024	December 31, 2023
Compensation to officers and directors	\$ 1,587,506	1,255,506
Business taxes and other	595,476	1,027,186
Total Other Payables	<u>\$ 2,182,982</u>	<u>\$ 2,282,692</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

The Company had previously received advances from its Chairperson, Chief Executive Officer and Interim Chief Financial Officer Ms. Li. Total amounts owed were \$1,144,985 and \$1,133,809 were recorded as "Borrowings from related parties" on the accompanying consolidated balance sheets as of December 31, 2024 and 2023, respectively. On July 8, 2019 the Company entered into a loan agreement in exchange for cash of RMB 4,770,000 (\$738,379) with Ms. Li. The loan bears interest at a rate of 4.35% and was payable within one year of the loan agreement. The due date of the loan agreement has been extended annually on identical terms, and is due July 9, 2025. Total interest expense related to the loan was \$27,353 and \$30,572 for the years ended December 31, 2024 and 2023, respectively. Compensation payable to the Ms. Li is included in "Other payables" in the accompanying consolidated balance sheet totaling \$1,559,506 and \$1,243,506 as of December 31, 2024 and 2023, respectively.

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NOTE 8 – LINES OF CREDIT

On December 21, 2022 the Company entered into a new line of credit for an aggregate amount of RMB 7,300,000 (approximately \$1.0 million) with interest payable monthly at a rate of 3.9% with Bank of Communications. The Company received an advance on the line of credit in the amount of RMB 3,800,000 (approximately \$0.56 million) on December 30, 2022. On February 24, 2023 the Company received an advance on the line in the amount of RMB 3,500,000 (approximately \$0.51 million). The Company has no further availability on this line of credit. The line of credit was paid in full on December 15, 2023, five days before the due date of December 20, 2023. On December 20, 2023, the Company received a new line of credit in the amount of RMB 3,800,000 and an interest rate of 3.9% and is due December 15, 2024. On February 2, 2024 the Company repaid RMB 3,500,000 under this line of credit. On February 22, 2024 the Company entered into a new agreement on identical terms and received an advance on the line in the amount of RMB 3,500,000 which is due of February 20, 2025. In addition, the Company’s Chief Executive Officer and Chair of the Board personally guaranteed the new line of credit and pledged personal assets as collateral for the loan. Total interest expense under this facility for the years ended December 31, 2024 and 2023 was \$39,347 and \$31,570, respectively.

On September 30, 2022 the Company received a line of credit for RMB 10,000,000 (approximately \$1.54 million) with Bank of China. The loan bears interest at the rate of 3.45% and was due September 28, 2023. On September 22, 2023 the Company repaid this note in full. On September 25, 2023 the Company entered into a three-year revolving loan and received proceeds of RMB 10,000,000 (approximately \$1.4 million). The interest rate for the loan is 3.35% for the first twelve months of the loan and adjusts based on the latest one-year loan market quotation rate less 10 basis points as published by the China National Interbank Funding Center on the working day prior to each twelve month anniversary of the loan. The loan is due on September 24, 2026. The loan is collateralized by the Company’s new production facility and the included production line equipment and machinery. In addition, the Company’s Chief Executive Officer and Chair of the Board personally guaranteed the new line of credit. Total interest expense under this facility for the years ended December 31, 2024 and 2023 was \$47,418 and \$48,624, respectively.

Principal payments required for the remaining terms of the loan facility and lines of credit as of December 31, 2024 are as follows:

Year	Lines of Credit
2025	1,015,525
2026	1,391,130
	\$ 2,406,655

Fair Value of Lines of Credit – Based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities, the carrying amounts of the lines of credit outstanding as of December 31, 2024 and December 31, 2023 approximated their fair values because the underlying instruments bear an interest rate that approximates current market rates.

NOTE 9 – CONVERTIBLE NOTE PAYABLE

On November 17, 2021, China Pharma entered into a Securities Purchase Agreement (the “Agreement”) pursuant to which the Company issued an unsecured convertible promissory note (the “Note”) to an institutional accredited investor Streeterville Capital, LLC (the “Investor”). The transaction contemplated under the Agreement was closed on November 19, 2021. The Note matured on February 17, 2023. On April 13, 2023 China Pharma entered into an Amendment (the “Amendment”) with the Investor which extended the maturity date of the Convertible Note Payable to May 19, 2024. As consideration for the extension, China Pharma agreed to an extension fee of \$65,639, representing 2.0% of the balance of the Note and accrued interest on the date of the Amendment. The amount was satisfied by increasing the Note balance by the amount of the extension fee. The Company recorded this as additional interest expense during the second quarter of 2023. In addition, China Pharma decreased the price at which the Investor can convert the balance from 85% to 82% of the lowest daily volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion, and assumed an additional obligation to redeem a portion of the outstanding balance of the Note monthly or be subject to additional penalty fees.

On May 23, 2024, the Company entered into an Amendment No. 2 (the “Second Amendment”), to the Note by which the parties have agreed to extend the maturity date of the Note to August 19, 2025. In consideration of the extension, the Company has agreed to pay to the Investor an extension fee equal to two percent (2%) of the outstanding balance of the Note (“Extension Fee”) totaling \$10,934, and lower the minimum monthly redemption amount from the outstanding balance of the Note that the Company is obligated to redeem from \$150,000 to \$37,182.33. The Second Amendment also includes customary representations and warranties by the Company. The Company recognized the Extension Fee as interest expense for the year ending December 31, 2024.

The Note was originally convertible into 70,000 shares of China Pharma’s common stock at a price of \$75.00 per share through April 19, 2022. Thereafter, the Note was convertible into 35,000 shares at a price of \$150.00 per share.

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Interest accrues on the outstanding balance of the Note at 5% per annum compounded daily. Upon the occurrence of an Event of Default as defined in the Note, interest accrues at the lesser of 22% per annum or the maximum rate permitted by applicable law. In addition, upon any Event of Default, the Investor may accelerate the outstanding balance payable under the Note, which will increase automatically upon such acceleration by 15% or 5%, depending on the nature of the Event of Default.

Pursuant to the terms of the Agreement and the Note, the Company must obtain Investor's consent for certain fundamental transactions such as consolidation, merger with or into another entity (excerpt for a reincorporation merger), disposition of substantial assets, change of control, reorganization or recapitalization. Any occurrence of a fundamental transaction without Investor's prior written consent will be deemed an Event of Default.

Investor may redeem all or any part the outstanding balance of the Note, subject to \$500,000 per calendar month, at any time after one hundred twenty-one (121) days from the Purchase Price Date, as defined in the Note, upon three trading days' notice, in cash or converting into shares of China Pharma's common stock, at a price equal to 82% multiplied by the lowest daily volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion, subject to certain adjustments and ownership limitations specified in the Note. The Note provides for liquidated damages upon failure to comply with any of the terms or provisions of the Note. The Company may prepay the outstanding balance of the Note with the Investor's consent. At inception, the Note was redeemable into 176,229 shares based on the lowest volume weighted average price of \$29.79085 on the inception date of November 19, 2021.

Total interest expense for the years ended December 31, 2024 and 2023 was \$29,088 and \$206,744, respectively.

On January 11, 2024 the Investor delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.3945, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 380,228 shares of common stock to the Investor on January 16, 2024.

On February 1, 2024 the Investor delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.3725, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 402,685 shares of common stock to the Investor on February 5, 2024.

On February 16, 2024 the Investor delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.3675, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 408,164 shares of common stock to the Investor on February 21, 2024.

On April 2, 2024 the Investor discussed in Note 9 delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.2927, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 512,470 shares of common stock to the Investor on April 3, 2024.

On April 17, 2024 the Investor delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.2774, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 540,735 shares of common stock to the Investor on April 19, 2024.

On May 20, 2024 the Investor delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.2539, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 590,783 shares of common stock to the Investor on May 21, 2024.

On June 17, 2024 the Investor delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.2137, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 701,918 shares of common stock to the Investor on June 17, 2024.

On September 11, 2024 the Investor delivered its notice of redemption for \$100,000 of the Note and related interest at the conversion price of \$0.1435, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 696,864 shares of common stock to the Investor on September 12, 2024.

On October 1, 2024 the Investor delivered its notice of redemption for \$100,000 of the Note and related interest at the conversion price of \$0.1435, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 696,864 shares of common stock to the Investor on October 2, 2024.

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On November 4, 2024 the Investor delivered its notice of redemption for \$100,000 of the Note and related interest at the conversion price of \$0.1435, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 696,864 shares of common stock to the Investor on November 4, 2024.

On December 9, 2024 the Investor delivered its notice of redemption for \$117,060 of the Note and related interest at the conversion price of \$0.1435, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 815,746 shares of common stock to the Investor on December 11, 2024.

Upon the issuance of the shares related to the December 9, 2024 conversion, there is no remaining balance of the Note and related accrued, and the Note had been fully redeemed and satisfied.

NOTE 10 - LEASES

The Company has leases for certain office and production facilities in the PRC which are classified as operating leases. The leases contain payment terms for fixed amounts. Options to extend are recognized as part of the lease liabilities and recognized as right of use assets when management estimates to renew the lease. There are no residual value guarantees, no variable lease payments, and no restrictions or covenants imposed by leases. The discount rate used in measuring the lease liabilities and right of use assets was determined by reviewing the Company's incremental borrowing rate at the initial measurement date. For the years ended December 31, 2024 and 2023, operating lease cost was \$76,597 and \$19,413, respectively and cash paid for amounts included in the measurement of lease liabilities for operating cash flows from operating leases was \$79,461 and \$20,142, respectively. As of December 31, 2024 and December 31, 2023, the Company reported right of use assets of \$38,298 and \$116,610, respectively and lease liabilities of \$39,323 and \$117,637, respectively. As of December 31, 2024, its operating leases had a weighted average remaining lease term of 0.50 years and a weighted average discount rate of 3.55%.

Minimum lease payments for the Company's operating lease liabilities were as follows for the twelve month period ended December 31:

2025	\$ 39,732
Total undiscounted cash flows	39,732
Less: Imputed interest	(409)
	<u>39,323</u>
Less: Lease liabilities, current portion	(39,323)
Lease liabilities, non current portion	<u>\$ -</u>

The Company has leases with terms less than one year for certain provincial sales offices that are not material.

NOTE 11 - INCOME TAXES

Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Liabilities are established for uncertain tax positions expected to be taken in income tax returns when such positions are judged to meet the "more-likely-than-not" threshold based on the technical merits of the positions. Estimated interest and penalties related to uncertain tax positions are included as a component of other expenses. Through December 31, 2024, the Company has not identified any uncertain tax positions that it has taken. U.S. income tax returns for the years ended December 31, 2020 through December 31, 2024 and the Chinese income tax return for the year ended December 31, 2024 are open for possible examination.

Under the current tax law in the PRC, the Company is and will be subject to the enterprise income tax rate of 25%.

There was no provision for income taxes for the years ended December 31, 2024 and 2023, respectively due to continued net losses of the Company.

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Following is a reconciliation of income taxes calculated at the federal statutory rates to the provision for income taxes:

	Years Ended December 31,	
	2024	2023
(Benefit) tax at statutory rate of 25%	\$ (1,184,092)	\$ (769,704)
Prior year refund received	-	-
Other, primarily the difference in U.S. tax rates	931	3,382
Change in valuation allowance	1,183,161	766,322
Income tax expense	\$ -	\$ -

The temporary differences which give rise to the deferred income tax assets and liability are as follows:

	December 31,	
	2024	2023
Deferred income tax assets:		
Allowance for doubtful trade receivables	\$ 3,396,795	\$ 346,519
Allowance for doubtful other receivables	7,112	6,754
Inventory obsolescence reserve	143,518	32,355
Stock compensation	3,201	3,201
Expenses not deductible in current year	1,053,475	1,069,198
Advances for intangible assets impairment	9,477,618	9,619,060
Lease liability, net	256	257
PRC net operating loss carry forward	5,341,831	5,275,411
U.S. net operating loss carry forward	2,279,152	2,078,262
Total deferred income tax assets	21,702,958	18,431,017
Valuation allowance	(21,702,958)	(18,431,017)
Net deferred income tax asset	\$ -	\$ -
Deferred income tax liability:		
Intangible assets	\$ 731,202	\$ 742,114

As of December 31, 2024, Helpson had net operating loss carryforwards for PRC tax purposes of approximately \$21.4 million which are available to offset any future taxable income through 2029. Approximately \$2.6 million of these carryforwards expired in December 2024. The Company also has net operating losses for United States federal income tax purposes of approximately \$10.9 million of which \$5.1 million is available to offset future taxable income, if any, through 2040, and \$5.4 million are available for carryforward indefinitely subject to a limitation of 80% of taxable income for each tax year.

U.S. federal tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Reform"), was signed into law on December 22, 2017. The U.S. Tax Reform significantly modified the U.S. Internal Revenue Code by, among other things, reducing the statutory U.S. federal corporate income tax rate from 35% to 21% for taxable years beginning after December 31, 2017; limiting and/or eliminating many business deductions; migrating the U.S. to a territorial tax system with a one-time transition tax on a mandatory deemed repatriation of previously deferred foreign earnings of certain foreign subsidiaries; subject to certain limitations, generally eliminating U.S. corporate income tax on dividends from foreign subsidiaries; and providing for new taxes on certain foreign earnings.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those differences become deductible or tax loss carry forwards are utilized. Management considers projected future taxable income and tax planning strategies in making this assessment. Based upon an assessment of the level of historical taxable income and projections for future taxable income over the periods on which the deferred tax assets are deductible or can be utilized, management believes it is not likely for the Company to realize all benefits of the deferred tax assets as of December 31, 2024 and 2023. Therefore, the Company provided for a valuation allowance against its deferred tax assets of \$22,610,068 and \$21,531,017 as of December 31, 2024 and 2023, respectively.

The Company also incurred various other taxes, comprised primarily of business taxes, value-added taxes, urban construction taxes, education surcharges and others. Any unpaid amounts are reflected on the balance sheets as accrued taxes payable.

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NOTE 12 – FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, a hierarchy has been established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows: Level 1 – Quoted prices in active markets for identical assets or liabilities; Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data; and Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Company uses fair value to measure the value of the banker’s acceptance notes it holds at December 31, 2024 and 2023, respectively. The banker’s acceptance notes are recorded at cost which approximates fair value. The Company held the following assets and liabilities recorded at fair value:

Description	December 31, 2024	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
Banker’s acceptance notes	\$ 18,642	\$ -	\$ 18,642	\$ -
Total	\$ 18,642	\$ -	\$ 18,642	\$ -

Description	December 31, 2023	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
Banker’s acceptance notes	\$ 65,915	\$ -	\$ 65,915	\$ -
Total	\$ 65,915	\$ -	\$ 65,915	\$ -

NOTE 13 - STOCKHOLDERS’ EQUITY

China Pharma is authorized to issue 500,000,000 shares of common stock, \$0.001 par value, and 5,000,000 shares of preferred stock, \$0.001 par value. The preferred stock may be issued in series with such designations, preferences, stated values, rights, qualifications or limitations as determined solely by the Board of China Pharma.

According to relevant PRC laws, companies registered in the PRC, including China Pharma’s PRC subsidiary, Helpson, are required to allocate at least 10% of their after tax income, as determined under the accounting standards and regulations in the PRC, to statutory surplus reserve accounts until the reserve account balances reach 50% of the company’s registered capital prior to their remittance of funds out of the PRC. Allocations to these reserves and funds can only be used for specific purposes and are not transferrable to the parent company in the form of loans, advances or cash dividends. The amount designated for general and statutory capital reserves is \$8,145,000 at December 31, 2024 and 2023.

Effective March 6, 2024, the Company implemented a 1-for-5 reverse split of its common stock. The reverse stock split was approved by the Company’s Board of Directors through unanimous written consent and the Company’s stockholders at its Annual Meeting for the fiscal year ended on December 31, 2022, which was held on December 17, 2023. Upon the effectiveness of the reverse stock split, every 5 shares of the Company’s issued and outstanding common stock were automatically converted into one share of issued and outstanding common stock. No fractional shares were issued as a result of the reverse stock split. Instead, any fractional shares that resulted from the split were rounded up to the next whole number. The reverse stock split affects all stockholders uniformly and does not alter any stockholder’s percentage interest in the Company’s outstanding common stock, except for adjustments that may result from the treatment of fractional shares. All share and per share amounts have been retroactively restated for all periods presented in the accompanying consolidated financial statements.

Effective March 6, 2023 China Pharma implemented a 1-for-10 reverse split of its common stock. The reverse stock split was approved by the Company’s Board of Directors through unanimous written consent and China Pharma’s stockholders at its Annual Meeting for the fiscal year ended on December 31, 2021, which was held on December 27, 2022. Upon the effectiveness of the reverse stock split, every 10 shares of China Pharma’s issued and outstanding common stock were automatically converted into one share of issued and outstanding common stock. No fractional shares were issued as a result of the reverse stock split. Instead, any fractional shares that resulted from the split were rounded up to the next whole number. The reverse stock split affects all stockholders uniformly and does not alter any stockholder’s percentage interest in China Pharma’s outstanding common stock, except for adjustments that may result from the treatment of fractional shares. All share and per share amounts have been retroactively restated for all periods presented in the accompanying consolidated financial statements.

CHINA PHARMA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

2024 Share Issuances

On January 11, 2024 the Investor discussed in Note 9 delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.3945, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 380,228 shares of common stock to the Investor on January 16, 2024.

On February 1, 2024 the Investor discussed in Note 9 delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.3725, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 402,685 shares of common stock to the Investor on February 5, 2024.

On February 16, 2024 the Investor discussed in Note 9 delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.3675, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 408,164 shares of common stock to the Investor on February 21, 2024.

On April 2, 2024 the Investor discussed in Note 9 delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.2927, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 512,470 shares of common stock to the Investor on April 3, 2024.

On April 17, 2024 the Investor discussed in Note 9 delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.2774, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 540,735 shares of common stock to the Investor on April 19, 2024.

On May 20, 2024 the Investor discussed in Note 9 delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.2539, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 590,783 shares of common stock to the Investor on May 21, 2024.

On June 17, 2024 the Investor discussed in Note 9 delivered its notice of redemption for \$150,000 of the Note and related interest at the conversion price of \$0.2137, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 701,918 shares of common stock to the Investor on June 17, 2024.

On September 11, 2024 the Investor discussed in Note 9 delivered its notice of redemption for \$100,000 of the Note and related interest at the conversion price of \$0.1435, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 696,864 shares of common stock to the Investor on September 12, 2024.

On October 1, 2024 the Investor discussed in Note 9 delivered its notice of redemption for \$100,000 of the Note and related interest at the conversion price of \$0.1435, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 696,864 shares of common stock to the Investor on October 2, 2024.

On November 4, 2024 the Investor discussed in Note 9 delivered its notice of redemption for \$100,000 of the Note and related interest at the conversion price of \$0.1435, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 696,864 shares of common stock to the Investor on November 4, 2024.

CHINA PHARMA HOLDINGS, INC.
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On December 9, 2024 the Investor discussed in Note 9 delivered its notice of redemption for \$117,060 of the Note and related interest at the conversion price of \$0.1435, which was 82% of the lowest volume weighted average price during the ten trading days immediately preceding the applicable redemption conversion. Accordingly, the Company issued a total of 815,746 shares of common stock to the Investor on December 11, 2024.

On December 12, 2024, the Company entered into that certain securities purchase agreement (the “SPA”) with an institutional investor (the “**Institutional Investor**”) for an at-the-market offering. Under the SPA, the Institutional Investor may purchase, at its sole discretion, shares of the Company’s common stock having an aggregate offering price of up to \$600,000 within the commitment period from December 12, 2024 to December 31, 2024.

On December 12, 2024, pursuant to the SPA, the Investor agreed to purchase \$180,000 of common stock at a price of \$0.20 per share and the Company issued 900,000 shares of its common stock. As of December 31, 2024 the Institutional Investor has not delivered the proceeds of \$180,000 to the Company. As such the Company has recorded a receivable as a contra equity account in the amount of \$180,000.

On December 23, 2024, China Pharma Holdings, Inc., (the “Company”) and that certain investor (the “Investor”) reached an agreement to rescind (the “Rescission”) that certain securities purchase agreement (the “Agreement”) dated December 12, 2024.

2010 Incentive Plan

On November 12, 2010, the Company’s Board adopted the Company’s 2010 Incentive Plan (the “Plan”), which was then approved by stockholders on December 22, 2010. On October 17, 2019, the Board of Directors approved the First Amendment to the 2010 Incentive Plan (the “Amendment”), pursuant to which the term of the 2010 Incentive Plan was extended to December 31, 2029. The Amendment was adopted by the stockholders on December 19, 2019. On October 25, 2021, the Board of Directors approved, and on December 27, 2021 our stockholders adopted the Amendment No.2 to the Plan to increase the number of shares of the Common Stock, that are reserved thereunder by 100,000 shares from 80,000 shares to 180,000 shares. On October 27, 2022 the Board of Directors approved and on December 27, 2022, the stockholders adopted the Amended and Restated Long Term 2010 Incentive Plan to increase the number of shares of common stock that are reserved thereunder by an additional 100,000 shares from 180,000 to 280,000. On December 17, 2023 the stockholders approved Amendment No. 1 to the Amended and Restated Long Term 2010 Incentive Plan to increase the number of shares from 280,000 to 580,000. On December 22, 2024 the stockholders approved Amendment No. 2 to the Amended and Restated Long Term 2010 Incentive Plan to increase the number of shares from 580,000 to 696,000. The Plan gives the Company the ability to grant stock options, restricted stock, stock appreciation rights and performance units to its employees, directors and consultants, or those who will become employees, directors and consultants of the Company and/or its subsidiaries. The Plan currently allows for equity awards of up to 696,000 shares of common stock. Through December 31, 2024, there were 84,700 shares of stock and stock options granted and outstanding under the Plan. A total of 13,300 options were outstanding as of December 31, 2024 under the Plan. As such, there are 598,000 additional units available for issuance under the Plan.

There were no issuances of securities from the Plan for the year ended December 31, 2024 and as such, no compensation expense was recognized for the period.

As of December 31, 2024, there was no remaining unrecognized compensation expense related to stock options or restricted stock grants.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Current vulnerability due to certain concentrations

For the year ended December 31, 2024, no customer accounted for greater than 10.0% of sales and two customers accounted for 63.7% and 13.7% of accounts receivable. Three suppliers accounted for 22.9%, 21.3% and 14.6% of raw material purchases, and two different products accounted for 34.5% and 24.5% of revenue.

For the year ended December 31, 2023, no customer accounted for more than 10% of sales and two customers accounted for 62.5% and 13.5% of accounts receivable. Two suppliers accounted for 17.7% and 13.8% of raw material purchases, and three different products accounted for 25.0%, 22.8% and 13.9% of revenue.

Nature of Operations

Economic environment - Substantially all of the Company’s operations are conducted in the PRC, and therefore the Company is subject to special considerations and significant risks not typically associated with companies operating in the United States of America. These risks include, among others, the political, economic and legal environments and fluctuations in the foreign currency exchange rate. The Company’s results from operations may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things. The unfavorable changes in global macroeconomic factors may also adversely affect the Company’s operations.

In addition, all of the Company’s revenue is denominated in the PRC’s currency of Renminbi (RMB), which must be converted into other currencies before remittance out of the PRC. Both the conversion of RMB into foreign currencies and the remittance of foreign currencies abroad require approval of the PRC government.

China Pharma Holdings, Inc.

INSIDER TRADING POLICY

Dated: March 6, 2025

Summary

China Pharma Holdings, Inc. (“CPHI” or the “Company”), has implemented an Insider Trading Policy (the “Policy”) to provide guidelines to officers, directors, employees and related individuals of the Company and its subsidiaries with respect to transactions in the Company’s securities. The Policy is designed to prevent insider trading or the appearance of impropriety, to satisfy the Company’s obligation to reasonably supervise the activities of Company personnel, and to help Company personnel avoid the severe consequences associated with violations of insider trading laws. The following summary is presented in question and answer format. **The following information is a summary only. All persons subject to the insider trading policy must read the entire policy.**

What is the insider trading policy?

The insider trading policy contains rules applicable to our officers, directors, employees, consultants and vendors, and related individuals, concerning trading in stock or other securities of CPHI and companies with whom CPHI does business. Among other things, the policy prohibits trading in CPHI securities while in possession of inside information.

What is “inside information?”

Inside information is material, non-public information concerning CPHI or any other public company with whom CPHI does business. The policy contains many examples of types of material, non-public information.

Who is subject to the insider trading policy?

The policy covers the officers, directors, employees, consultants and vendors of CPHI and all of its subsidiaries. The policy also covers family members of these persons and others who have or may have access to inside information, including family members whose investments are controlled or influenced by these persons.

Who is the compliance officer and what does he do?

Sam Xing Dong is currently the compliance officer under this insider trading policy. The compliance officer is responsible for ensuring compliance with the policy, and his duties include pre-approving all trades by persons subject to the pre-approval requirements described below.

Who are Section 16 Insiders?

Section 16 is part of the Securities Exchange Act of 1934. It requires certain senior officers, directors and large stockholders to file reports with the Securities and Exchange Commission about their share holdings and trades. The Section 16 Insiders are listed on Exhibit A to the policy. Section 16 Insiders are considered “Access Personnel” under the policy. Exhibit A will be automatically amended whenever the CPHI Board of Directors changes the designation of Section 16 insiders.

Who are Access Personnel?

Access Personnel include the Section 16 Insiders and other persons who, by virtue of their position, are likely to have access to material non-public information on a more frequent basis than other Covered Persons. The Access Personnel are listed on Exhibit B to the policy. Exhibit B may be updated from time to time by the compliance officer.

Is anyone else considered Access Personnel?

Occasionally, the compliance officer may designate additional persons as Access Personnel on a temporary basis if they gain access to inside information. The compliance officer will inform people in writing if they become Access Personnel, and will inform them when they are no longer deemed Access Personnel.

What special restrictions apply to Access Personnel?

Access Personnel are subject to one or both of the following restrictions:

1. No trading in CPHI securities during times of the year called Blackout Periods (as defined below).
2. Required approval of the compliance officer prior to trading in CPHI securities, even outside of the Blackout Periods.

Exhibit B lists the restrictions applicable to each Access Personnel. Such restrictions may be changed from time to time.

What is the Blackout Period?

The Blackout Period during which certain Access Personnel cannot trade in CPHI securities begins fifteen (15) calendar days before the last trading day of a fiscal quarter, and ends at the commencement of trading on the third trading day following public release of the Company's annual or quarterly financial results. CPHI may extend the Blackout Period or implement different Blackout Periods at any time by giving written notice to all Access Personnel. In addition, CPHI may waive compliance with a Blackout Period if all material information concerning the Company has been publicly disclosed or is known by both parties to the proposed transaction. It is important to remember that even outside of the Blackout Period, Covered Persons are prohibited from buying, selling or otherwise transferring CPHI securities if they are aware of material non-public information.

What are the pre-clearance requirements?

Certain Access Personnel must obtain the written permission of the compliance officer prior to engaging in any trade in CPHI securities. Approval may take up to two business days, so Access Personnel subject to this restriction should plan in advance. When Access Personnel request permission to make a trade, the compliance officer will complete a pre-clearance checklist and if the trade is approved, will give written permission for the trade. The written permission will expire at the end of the second trading day following the date of written permission unless a longer period is granted in the sole discretion of the compliance officer. Any such permission will automatically expire without advance notice upon the commencement of a Blackout Period.

What is the restriction on market limit orders?

Market limit orders are open orders placed with a broker which are to be executed only if the securities reach a certain price. A market limit order may continue indefinitely, or it may expire at a set time. In order to prevent Access Personnel from accidentally engaging in a trade when trading is not allowed, Access Personnel subject to pre-clearance requirements may not enter any market limit orders with their brokers for CPHI securities except market limit orders which expire within the time allowed for trading after receiving written permission to trade from the compliance officer.

Access Personnel subject to Blackout Periods may not enter into any market limit orders with their brokers for CPHI securities other than orders which expire before the commencement of the next Blackout Period. The above restrictions are not applicable to approved Rule 10b5-1 plans (see below).

Does the policy have exceptions for Rule 10b5-1 plans?

The Company will in certain cases permit persons subject to this policy to enter into “blind trusts” or advance trading plans, and thereby avoid the prohibitions in the policy on trading while in possession of inside information. All such plans by Access Personnel will require approval by the compliance officer, which approval must be obtained in advance of any trade that would otherwise be subject to the policy.

I am not listed as Access Personnel. Does the policy apply to me?

Yes. While people who are not Access Personnel are not subject to the Blackout Periods or pre-clearance requirements, all employees and consultants of CPHI and its subsidiaries are prohibited from trading while in possession of inside information.

Can I sell CPHI shares short?

No. Selling shares short is a bet that the price of CPHI common stock will go down. We cannot have a situation where any of our employees or consultants would benefit financially at the expense of our existing stockholders. The same policy applies to acquiring any derivative security (such as a put option) whose value would increase if the stock price goes down. Section 16 Insiders are prohibited by law, as well as by the policy, from selling short.

What about my options issued pursuant to one of CPHI's stock option or employee stock purchase plans?

You may exercise options issued by CPHI for cash, and you may complete purchases under a tax-qualified employee stock purchase plan, during Blackout Periods and even if you possess inside information. The special exceptions for exercise of an option and for employee stock purchase plan purchases do not apply to the sale of the CPHI common stock you receive on exercise or purchase. All sales of CPHI common stock are subject to the policy. Unless you have sufficient cash to pay the exercise price and you intend to hold the shares you acquire upon exercise of an option, you should determine whether you are permitted to sell the shares before you exercise the option.

What about my restricted stock units?

You may not sell any restricted stock units of CPHI (“RSUs”) or any vested shares during the Blackout Period. Any shares of the Company issuable from RSUs that vest during the Blackout Period will not be issued to you until after such Blackout Period has ended.

Can I gift CPHI shares during the Blackout Period?

No. The Securities and Exchange Commission has indicated that bona fide gifts are subject to insider trading restrictions under federal law. Therefore, you may not gift any securities of the Company during the Blackout Period.

Can I pledge my securities in a margin account or to secure another type of loan?

Access Personnel may not hold securities of CPHI in a margin account. Access Personnel may not pledge securities to secure other loans without special permission from the compliance officer. Permission for pledges may be granted only at a time when you are permitted to trade in CPHI securities.

What are the penalties for violation of the policy?

Violation of the policy may expose the violator to severe criminal and civil penalties. CPHI will consider disciplinary action, up to and including termination, of any person who violates the policy.

Introductory Information

Definition of Inside Information

“Inside Information” means material, non-public information. Information is material if a reasonable investor would consider it important to the total mix of information available about the Company. Information is non-public if it has not been explicitly disclosed by the Company in a press release or report filed with the Securities and Exchange Commission, or by another manner involving broad disclosure to the investing public. Information remains non-public until it has been so disclosed and the market has had time to absorb and evaluate the information.

Examples of types of information that will frequently be material include:

- operating or financial results,
- changes in earnings estimates,
- significant changes in sales volumes, market share, product pricing, mix of sales, strategic plans, or liquidity,
- the gain or loss of a substantial customer or supplier,
- a pending or proposed merger, acquisition or tender offer,
- a significant sale of assets or the disposition of a subsidiary,
- execution of a business contract that is important to the company financially, strategically or otherwise,
- the award or cancellation of significant licenses or sales contracts,

- significant policy changes by the Company’s vendors or third party service providers,
- major management changes,
- public or private financing transactions,
- plans for substantial capital investment,
- significant write-offs or increases in reserves,
- impending bankruptcy or financial liquidity problems,
- a significant cybersecurity breach,
- significant regulatory approvals or challenges,
- a change in state or federal law relating to the Company’s industry,
- a change in federal enforcement practices with respect to participants in the Company’s industry,
- pending or threatened litigation of potential significance to the company, or settlement or other resolution of ongoing litigation,
- significant new platform features or changes to existing platform features,
- delays in product development or problems with quality control,
- a stock split or other recapitalization,
- a change in dividend policy,
- a redemption or purchase by the Company of its securities, and
- any other information which is likely to have a significant impact on the Company.

Either positive or negative information may be material.

In general, information that is likely to affect the market price of a security is likely to be considered material.

If your securities transactions become the subject of scrutiny, they will be viewed after-the-fact with the benefit of hindsight. As a result, Covered Persons should give careful thought to whether any facts and circumstances exist that could raise suspicions about the propriety of the proposed transaction after the fact; for example, as to whether information that the covered person has become aware of may be construed as “material” and “nonpublic.”

You should contact the Compliance Officer identified below if you are considering a transaction in Company securities shortly after public disclosures of material information by the Company.

Other Definitions

“Access Personnel” include the Section 16 Insiders, and other persons who, by virtue of their position, are likely to have access to Inside Information on a more frequent basis than other Covered Persons. Access Personnel are listed on Exhibit B to this Policy. The compliance officer may from time to time designate certain persons not listed on Exhibit B as Access Personnel for purposes of this Policy if they gain access to Inside Information even for a limited period of time. The compliance officer will update Exhibit B from time to time as appropriate. All persons who, temporarily or permanently, become Access Personnel for purposes of this Policy will be given written notice.

“Blackout Period” applies to certain Access Personnel designated on Exhibit B, and is described below under the heading “Specific Procedures Applicable to Access Personnel.”

“Compliance Officer” is the insider trading compliance officer appointed pursuant to this Policy. The Compliance Officer may be appointed changed at any time by the Company with written notice to all Covered Persons.

“Covered Persons” are described below under the heading “Applicability of Policy to Covered Persons.”

“Section 16 Insiders” are the executive officers and directors of the Company and its subsidiaries who are subject to the reporting and liability provisions of Section 16 of the Securities Exchange Act of 1934, as amended. Section 16 Insiders are listed on Exhibit A to this Policy. Exhibit A will be updated automatically whenever the Board changes the designation of Section 16 insiders.

Transactions Covered by the Policy

This Policy applies to all transactions in the Company’s securities, including common stock, options for common stock, restricted stock units, and other securities the Company may issue from time to time, such as preferred stock, warrants and convertible debentures, as well as to derivative securities relating to the Company’s stock, whether or not issued by the Company (such as exchange-traded options). It applies to all officers of the Company, all members of the Company’s Board of Directors, and all employees of, and consultants, contractors and vendors to, the Company and its subsidiaries, and will continue to apply to such persons for a period of ninety (90) days after their separation from the Company. It also applies to family members of such persons, and to others, to the extent such persons come to have access to Inside Information. Persons subject to this Policy are referred to as “Covered Persons.”

Any person who possesses Inside Information regarding the Company is a Covered Person for so long as the information is non-public.

Bona fide gifts are generally transactions subject to the Policy (including outside of a Blackout Period if the Covered Person is aware of material non-public information).

Transactions in mutual funds that hold Company securities are generally not transactions subject to the Policy. However, transactions in mutual funds may be prohibited under the Policy if a Covered Person becomes aware of material non-public information which might materially affect the value of the mutual fund as a whole.

Covered Persons are expected to use good judgment and contact the Compliance Officer in advance of a transaction if they have any doubt about whether a transaction is covered by the Policy.

Application of Policy After Relationship Terminates

If you are subject to a Blackout Period imposed by this Policy and your relationship terminates during a Blackout Period (or if you otherwise leave while in possession of Inside Information), you will continue to be subject to the Policy, and specifically to the ongoing prohibition against trading, until the later of the end of the Blackout Period or the commencement of trading on the second trading day following public announcement of any Inside Information of which you are aware.

If a Blackout Period is extended, or if a Blackout Period does not end on its normal date as the result of the commencement of a subsequent Blackout Period prior to the termination of the prior Blackout Period, the Compliance Officer may in his discretion waive the applicability of the extended or new Blackout Period to a person whose relationship with the Company has terminated during the prior Blackout Period, if the Compliance Officer determines that such person has not had access to any Inside Information relating to the extended or new Blackout Period.

The Company may institute stop-transfer instructions to its transfer agent in order to enforce this provision.

The Company's Policy

It is the policy of the Company that any Covered Person who possesses Inside Information about the Company may not buy or sell securities of the Company nor engage in any other action to take advantage of, or pass on to others, that information. This includes posting of Inside Information in chat-rooms or via other electronic communications. This Policy also applies to information relating to any other company, including customers, vendors or suppliers of the Company, obtained in the course of employment by or service to the Company.

Illegality of Insider Trading

It is illegal for any Covered Person to trade in the securities of the Company using material, non-public information about the Company. It is also illegal for any Covered Person to give Inside Information to others who may trade on the basis of that information.

Specific Policies Applicable to All Covered Persons

The Company intends to comply with the spirit as well as the letter of the insider trading laws. The Company's policy is to avoid even the appearance of improper conduct on the part of anyone employed by or associated with the Company, whether or not the conduct is literally in violation of the law.

1. *Trading on Inside Information.* No Covered Person and no member of the immediate family or household of any such person, may trade or otherwise engage in any transaction involving a purchase or sale of the Company's securities, including but not limited to, any offer to purchase or offer to sell, during any period commencing with the date that he or she possesses Inside Information concerning the Company, and ending when all material information known to such person has been available to investors generally for at least two (2) business days. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception. Even the appearance of an improper transaction must be avoided to preserve our reputation for adhering to the highest standards of conduct.

2. *Tipping.* No Covered Person may disclose ("tip") Inside Information to any other person (including family members) where such information may be used by such person to his or her profit by trading in the securities of companies to which such information relates. No Covered Person may recommend the purchase or sale of any Company securities, or pass on to any person any material non-public information concerning the Company, whether or not the Covered Person has any information regarding such person's intention to engage in any transaction involving Company securities.

3. *Confidentiality of Non-public Information; Prohibition on Electronic Posting of Confidential Information.* Non-public information relating to the Company is the property of the Company and the unauthorized disclosure of such information is forbidden. Covered Persons are prohibited from posting confidential information relating to the Company, including but not limited to material non-public information, in internet chat rooms, on online message boards, on social media and social networking websites or through the use of any other form of electronic communication.

4. *No Short Sales.* Because short sales represent a bet that the Company's stock price will decline, the Company prohibits all Covered Persons from shorting the Company's stock. The Company also prohibits Covered Persons from acquiring any security or position which would increase in value if the Company's stock price declines, such as a put option. Short sales by Section 16 Insiders are prohibited by law as well as by this Policy. Any questions as to whether a transaction is a prohibited short sale should be raised with the Compliance Officer.

5. *Publicly-Traded Options.* Given the relatively short term of publicly-traded options, transactions in options may create the appearance that a Covered Person is trading based on material non-public information and focus a Covered Person's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in put options, call options or other derivative securities, on an exchange or in any other organized market, are prohibited by the Policy.

6. *Hedging Transactions.* Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such hedging transactions may permit a Covered Person to continue to own Company securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, the Covered Person may no longer have the same objectives as the Company's other shareholders. Any person wishing to enter into such an arrangement must first submit the proposed transaction, all agreements therefor and a written explanation of the purpose of the proposed transaction to the Compliance Officer for approval. The Compliance Officer may accept, reject or condition such transaction in his or her sole discretion.

7. *Margin Accounts and Pledges.* Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan or, in many instances, if the value of the collateral declines. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material non-public information regarding the Company, Covered Persons are prohibited from holding securities of the Company in a margin account or pledging such securities as collateral for a loan. An exception to this prohibition may be permitted in certain limited circumstances with the advance written approval of the Compliance Officer. The Compliance Officer may accept, reject or condition such transaction in its sole discretion.

8. *Securities of Other Companies.* The foregoing provisions also apply to trading in the securities of other companies, including the Company's customers, vendors and suppliers, if any Covered Person becomes aware of material non-public information relating to such companies in the course of performing his or her duties for the Company. Covered Persons are prohibited from disclosing any material non-public information concerning other companies that they gain as part of their employment.

9. *Expert Networks*. “Expert networks” are firms that connect investment firms and others seeking information about specific industries, companies, products or business situations with outside experts who are able to provide information on such topics. Covered Persons may not act as consultants or employees of expert network firms or any similar enterprises unless the engagement has been approved in writing by the Compliance Officer.

Transactions by Family Members and Others

The Policy applies to family members and domestic partners of Covered Persons who reside in the same household with the Covered Person and family members who do not live in the Covered Person’s household but whose transactions in Company securities are directed by a Covered Person or are subject to a Covered Person’s influence or control (collectively, “Family Members”). Family Members generally include spouse, domestic partner, children and stepchildren, a child away at college and grandchildren, and may include parents, stepparents, grandparents, siblings and in-laws. Questions as to which persons are subject to the restrictions of the Policy should be directed to the Compliance Officer. Each Covered Person is responsible for the transactions in Company securities of these other persons and therefore should make them aware of the need to confer with him or her before trading in Company securities.

Transactions by Entities Affiliated with a Covered Person

The Policy applies to any entities whose transactions in Company securities are influenced or controlled by a Covered Person, including corporations, partnerships or trusts (collectively, “Controlled Entities”). Transactions by these Controlled Entities will be treated for the purposes of the Policy as if they are for the account of the affiliated Covered Person.

Potential Criminal and Civil Liability and/or Disciplinary Action

Penalties for trading on or communicating material non-public information are severe and may be applied against the individual involved in unlawful conduct, as well as against the Company and controlling persons of the Company. A person can be subject to some or all of the penalties noted below even if he or she does not personally benefit from the violation. Penalties include:

1. *Liability for Insider Trading*. Covered Persons may be subject to penalties of up to \$5,000,000 and up to twenty years in jail for engaging in transactions in securities at a time when they have knowledge of Inside Information regarding the subject company.
2. *Liability for Tipping*. Covered Persons may also be liable for improper transactions by any person (commonly referred to as a “tippee”) to whom they have disclosed Inside Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company’s securities. The SEC has imposed large penalties even when the disclosing person did not profit from the trading. The SEC, the stock exchanges and the Financial Industry Regulatory Authority use sophisticated electronic surveillance techniques to uncover insider trading.
3. *Disciplinary Actions*. Covered Persons who violate this Policy will be subject to disciplinary action by the Company, which may include, in addition to other sanctions, ineligibility for future participation in the Company’s equity incentive plans or termination of employment.
4. *Stop Transfer Order*. The Company may in its discretion impose or maintain stop transfer orders on securities held by Covered Persons during a Blackout Period.

You should be aware that stock market surveillance techniques have become extremely sophisticated and are being improved all the time. The chance that federal authorities or exchange regulators will detect even small-level trading is a significant one.

Individual Responsibility

Every Covered Person has the individual responsibility to comply with this Policy against insider trading, regardless of whether the Company has implemented a Blackout Period applicable to the Covered Person. Appropriate judgment should be exercised in connection with any trade or other restrictions in the Company's securities.

A Covered Person may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to make the transaction before learning of the Inside Information and even though the Covered Person believes he or she may suffer an economic loss or forego an anticipated profit by waiting. Covered Persons who have anticipated needs for liquidity should strongly consider adopting a Rule 10b5-1 plan.

Applicability of Policy to Inside Information Regarding Other Companies

This Policy also applies to Inside Information relating to other companies, including the Company's customers, vendors or suppliers ("business partners"), when that information is obtained in the course of employment with, or other services performed on behalf of, the Company. Civil and criminal penalties, and termination of employment, may result from trading on inside information regarding the Company's business partners. All employees should treat Inside Information about the Company's business partners with the same care required with respect to information related directly to the Company.

Specific Procedures Applicable to Access Personnel

Blackout Period

To ensure compliance with this Policy and applicable federal and state securities laws, it is the Company's policy that certain Access Personnel designated on Exhibit B refrain from conducting any transactions involving the purchase or sale of the Company's securities during a "Blackout Period." The Blackout Period begins on the day which is fifteen (15) calendar days before the last trading day of a fiscal quarter, and ends at the commencement of trading on the third trading day following public release of the Company's annual or quarterly financial results. The Compliance Officer may extend the Blackout Period, or adopt additional Blackout Periods, in his or her sole discretion. The Compliance Officer may waive compliance with a Blackout Period if, following consultation with the Board of Directors and the Company's legal counsel, the Compliance Officer concludes that all material information concerning the Company has been publicly disclosed or, in the case of a proposed private transaction in the Company's securities, that neither party to such transaction is in possession of Inside Information which is not also known by the other party.

The safest period for trading in the Company's securities, assuming the absence of Inside Information, is generally the first ten days after the expiration of the Blackout Period for the prior quarter.

It is important to remember that, even if outside the Blackout Period, no Covered Person may trade in Company securities while in possession of Inside Information. Trading in the Company's securities outside of a Blackout Period should not be considered a "safe harbor," and all Access Personnel and other Covered Persons should use good judgment at all times. You should contact the Compliance Officer in advance of a transaction if you have any questions regarding a particular securities transaction.

Pre-Clearance of Trades

Certain Access Personnel of the Company must comply with the Company's pre-clearance process prior to engaging in any trade at any time in the Company's securities. **Such Access Personnel must contact the Compliance Officer, at least five (5) business days prior to commencing any trade in the Company's securities.**

The Compliance Officer will complete a pre-clearance checklist in the form attached as Exhibit C to this Policy and if the trade is approved, will give written permission for the trade in the form attached as Exhibit D to this Policy. The written permission will expire at the end of the second trading day following the date of written permission or the beginning of the Blackout Period, whichever is earlier. Accordingly, Access Personnel should not request permission to trade unless there is an intention to execute the trade immediately following receipt of written permission. The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit the transaction in his or her sole discretion.

Further Restrictions

As circumstances dictate, the Company may restrict trading by Access Personnel during otherwise open trading window periods. For example, the Company may restrict trading by Access Personnel during an ongoing cybersecurity investigation until the Company determines whether the incident is "material". In such event, the Compliance Officer will notify particular individuals that they should not engage in any transactions involving the Company's securities until such further restrictions are lifted by further notice. The notice need not state the reason for the further restrictions. Access Personnel who receive such notice should not disclose to others the existence of such further restrictions. Generally, these further restricted periods will end upon the earlier of the circumstances no longer being material or the open of market on the second trading day following the Company's public disclosure of such circumstances or their resolution.

Restriction on Market Limit Orders

In order to prevent Access Personnel from accidentally engaging in a trade when trading is not allowed, Access Personnel subject to Blackout Periods may not enter into any market limit orders with their brokers for securities of the Company other than orders which expire no later than the commencement of the next Blackout Period. Access Personnel subject to pre-clearance requirements are subject to the additional restriction that they may not enter any market limit orders for securities of the Company except market limit orders which expire within the time allowed for trading after receiving written permission to trade from the Compliance Officer. All other market limit orders by Access Personnel for securities of the Company are prohibited. This paragraph does not however apply to approved Rule 10b5-1 plans.

Margin Accounts and Pledges

A pledge of securities may be considered a sale under the securities laws. In addition, securities held in a margin account or pledged as collateral for a loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because the initial pledge may be a sale, and a later margin sale or foreclosure sale may occur at a time when the pledgor is aware of Inside Information or otherwise is not permitted to trade in securities of the Company, Access Personnel are prohibited from holding Company securities in a margin account or pledging Company securities for a loan. An exception to this prohibition may be granted where a person wishes to pledge Company securities as collateral for a loan (not including margin debt), if such person is otherwise permitted to transact in Company securities at the time of the pledge, and if such person clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities. Any person who wishes to pledge Company securities as collateral for a loan must submit a request for approval to the Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed pledge.

Exception for Pre-Arranged Trading Programs
(Rule 10b5-1)

Rule 10b5-1 of the Exchange Act allows a person to trade while aware of material non-public information if the trade was executed pursuant to a plan satisfying the requirements of Rule 10b5-1 (a “trading plan”) that was established at a time when the person was not aware of material non-public information. Rule 10b5-1 is a complicated rule that requires sophisticated planning and should not be relied upon without the advice of one’s own legal counsel or personal financial adviser.

Specific Requirements

Trades in Company securities that are executed pursuant to an approved trading plan are not subject to the prohibitions in the Policy, including Blackout Periods or pre-clearance requirements for Access Personnel. Trading plans must meet the following requirements:

1. *Pre-Approval.* For a Rule 10b5-1 plan to serve as an adequate defense against an allegation of insider trading, a number of legal requirements must be satisfied. Accordingly, anyone wishing to establish a Rule 10b5-1 plan must first receive approval from the Compliance Officer.
2. *Material Non-public Information and Special Blackouts.* An individual desiring to enter into a Rule 10b5-1 plan must enter into the plan at a time when he or she is not aware of any material nonpublic information about the Company or otherwise subject to a special trading blackout
3. *Open Trading Window.* A Rule 10b5-1 plan may only be adopted during an open trading window (i.e., outside of a Blackout Period).
4. *30-Day Waiting Period.* Rapid transaction executions subsequent to plan adoption may create an appearance of impropriety and call into question whether a plan adopter had material non-public information at the time of plan adoption. To avoid even the appearance of impropriety, the Company requires a waiting period of 30 days between the date the Rule 10b5-1 plan is adopted and the date of the first possible transaction under the plan.

Trading plans may not be instituted, amended or terminated, and deviations from such plans may not be made during a Blackout Period or at a time when a Covered Person is aware of material non-public information. Any amendment or termination of an approved trading plan requires the advance approval of the Compliance Officer. The Compliance Officer may circulate from time to time criteria for clearance of trading plans. Section 16 Insiders must provide prompt notice to the Compliance Officer of all transactions under trading plans to facilitate filings required under Section 16(a) of the Exchange Act. Such filings are generally due within two (2) business days of a trade. The Company reserves the right to bar any transactions in Company securities, even those pursuant to trading plans previously approved, if the Compliance Officer or the Board of Directors, in consultation with the Compliance Officer, determines that such a bar is appropriate under the circumstances.

Exception for Stock Options and Employee Stock Purchase Plans

The Policy does not apply to the exercise of an employee stock option acquired pursuant to the Company's plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option to satisfy tax withholding requirements. The Policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option and to any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

Purchases of Company stock through a 401(k) plan or employee stock purchase plan ("ESPP") resulting from your periodic contribution of money to the plan pursuant to your payroll deduction election are also exempt from this Policy, since the other party to those transactions is the Company itself and the price is determined by the terms of the option agreement or the plan. The trading restrictions do apply, however, to elections you may make to (a) begin participation or change participation levels in any ESPP or Company stock fund in the 401(k) plan, (b) sell any shares purchased under the ESPP, and (c) initiate an intra-plan transfer of an existing account balance into or out of the Company stock fund in the 401(k) plan.

Additional Information - Directors and Executive Officers

Directors and executive officers of the Company must also comply with the reporting obligations and limitations on short-swing transactions set forth in Section 16 of the Securities Exchange Act of 1934, as amended. The practical effect of these provisions is that Section 16 Insiders who purchase and sell the Company's securities within a six-month period must disgorge all profits to the Company whether or not they had knowledge of any Inside Information. Under these provisions, and so long as certain other criteria are met, in most cases neither the receipt of an option under the Company's option plans, nor the exercise of that option is deemed a purchase under Section 16; however, the sale of any such shares is a sale under Section 16. The exercise of options by Section 16 Insiders, although not subject to short-swing liability, must be disclosed on a Form 4 filed **within two business days after the exercise occurs**. The participation by executive officers in a tax-qualified employee stock purchase plan will not generally result in a Section 16 short-swing liability or reporting obligations; however the sale of any shares acquired is subject to Section 16 reporting and short-swing liability. Generally, all other purchases and sales of Company securities by Section 16 Insiders must be disclosed on a Form 4 filed **within two business days after the transaction occurs**. Moreover, no officer or director may ever make a short sale of the Company's stock. The Company has provided, or will provide, separate memoranda and other appropriate materials to its officers and directors regarding compliance with Section 16 and its related rules.

Certification

Covered Persons will be required to certify their understanding of and compliance with this Policy on an annual basis, in the form attached as Exhibit E to this Policy.

Inquiries

Please direct your questions as to any of the matters discussed in the Policy to the Compliance Officer.

Duties of Compliance Officer

The duties of the Compliance Officer include the following:

1. Pre-clearance of all transactions involving the Company's securities by Access Personnel designated for pre-clearance on Exhibit B in order to determine compliance with the Policy, insider trading laws, Section 16 of the Exchange Act of 1934, as amended, and Rule 144 promulgated under the Securities Act of 1933, as amended.

2. Assistance in the preparation of Section 16 reports (Forms 3, 4 and 5) for all Section 16 Insiders.
3. Performance of cross-checks of available materials, which may include Forms 3, 4 and 5, Forms 144, officers and directors questionnaires, and reports received from the Company's stock administrator and transfer agent, to determine trading activity by officers, directors and others who have, or may have, access to Inside Information.
4. Circulation of the Policy to all Covered Persons on an annual basis, and provision of the Policy and other appropriate materials to any officers, directors or others who have, or may have, access to Inside Information.
5. Reviewing proposed Rule 10b5-1 plans of Covered Persons.
6. Assisting the Company's Board of Directors in implementation of the Policy.
7. Updating from time to time, as applicable, the list of Access Personnel on Exhibit B of the Policy.

EXHIBIT A

SECTION 16 INSIDERS

Name	Title
Zhilin Li	Chairperson, President, Chief Executive Officer and interim Chief Financial Officer
Sam Xing Dong	Vice President
Diana Na Huang	BOD Secretary & IR Manager
Yanli Yang	Assistant to CFO
<i>Non-Employee Directors</i>	
Heung Mei Tsui	Director
Gene Michael Bennett	Director
Yingwen Zhang	Director
Baowen Dong	Director

EXHIBIT B

ACCESS PERSONNEL

All Section 16 Insiders listed on Exhibit A are Access Personnel, and subject to pre-clearance requirements and Blackout Periods. In addition, the following persons are Access Personnel, and are subject to the indicated restrictions:

Name	Title	Blackout Periods	Pre-Clearance

EXHIBIT C

INSIDER TRADING COMPLIANCE PROGRAM - PRE-CLEARANCE CHECKLIST

Individual Proposing To Trade:
Compliance Officer:
Proposed Trade:
Date:

No Blackout. Confirm that the trade will not be made during a “Blackout Period”

Section 16 Compliance. Confirm, if the individual is an officer or director subject to Section 16, that the proposed trade will not give rise to any potential liability under Section 16 as a result of matched past (or intended future) transactions. Also, ensure that a Form 4 has been or will be completed and will be filed within two (2) business days of the trade.

Prohibited Trades. Confirm that the proposed transaction is not a short sale, put, call or other prohibited transaction.

Rule 144 Compliance. To the extent applicable confirm that:

The current public information requirement has been met.

Shares to be sold are not restricted or, if restricted, the holding period has been met.

Volume limitations are not exceeded (confirm the individual is not part of an aggregated group).

The manner of sale requirements have been met.

The Notice on Form 144 has been completed and filed.

Rule 10b-5 Concerns. Confirm that:

The individual has been reminded that trading is prohibited when in possession of any material information regarding the Company that has not been adequately disclosed to the public.

The Compliance Officer has discussed with the insider any information known to the individual or the Compliance Officer which might be considered material, so that the individual has made an informed judgment as to the presence of inside information.

Signature of Compliance Officer

EXHIBIT D

PERMISSION TO TRADE

_____ is hereby permitted to buy/sell [circle one] shares of the common stock of China Pharma Holdings, Inc.

[Include the following if sales to be made by affiliates pursuant to Rule 144. The securities must be sold in a broker's transaction, and you may not solicit or arrange for the solicitation of an order to buy the securities you are selling, or make any payment in connection with the offer and sale to any person other than the broker who executes an order to sell the securities.]

The permission to sell will expire on the close of trading on _____, 20__.

Very truly yours,

Signature of Compliance Officer

EXHIBIT E

CERTIFICATE OF COMPLIANCE

I represent that I have read, and promise to comply with, the China Pharma Holdings, Inc. Insider Trading Policy.

Name:

Date:



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement on Form S-3 (File No.: 333-276481) and Registration Statement on Form S-8 (File No.: 333-267989) of our report dated March 31, 2025 relating to the consolidated financial statements of China Pharma Holdings, Inc. and subsidiaries as of and for the years ended December 31, 2024 and 2023 appearing in this Annual Report on Form 10-K of China Pharma Holdings, Inc. for the year ended December 31, 2024.

/s/ Enrome LLP

Enrome LLP

Singapore
March 31, 2025

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Zhilin Li certify that:

1. I have reviewed this report on Form 10-K of China Pharma Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2025

/s/ Zhilin Li

Name: Zhilin Li

Title: Chief Executive Officer
(principal executive officer)

**CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Zhilin Li, certify that:

1. I have reviewed this report on Form 10-K of China Pharma Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2025

/s/ Zhilin Li

Name: Zhilin Li

Title: Interim Chief Financial Officer

(principal financial officer and principal accounting officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, in her capacity as principal executive officer of China Pharma Holdings, Inc. (the "Company"), for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of her knowledge:

- (1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2025

/s/ Zhilin Li

Name: Zhilin Li
President and Chief Executive Officer
(principal executive officer)

/s/ Zhilin Li

Name: Zhilin Li
Title: Interim Chief Financial Officer
(principal financial officer and principal accounting officer)

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.