

CHINA JO-JO DRUGSTORES, INC.
Form 10-Q
November 14, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934

For the quarterly period ended **September 30, 2018**

or

Transition Report Pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: **001-34711**

CHINA JO-JO DRUGSTORES, INC.

(Exact name of registrant as specified in its charter)

Nevada **98-0557852**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

Hai Wai Hai Tongxin Mansion Floor 6

Gong Shu District, Hangzhou City **310008**

Zhejiang Province

P. R. China
(Address of principal executive offices) (Zip Code)

+86 (571) 88077078

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 reports), 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 and posted on its corporate Web site, if any, every, Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec.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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer Accelerated Filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

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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 is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of November 13, 2018, the registrant had 28,936,778 shares of common stock, par value \$0.001 per share, outstanding.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

All statements contained in this Quarterly Report on Form 10-Q (“Form 10-Q”) for the registrant, other than statements of historical facts, that address future activities, events or developments are forward-looking statements, including, but not limited to, statements containing the words “believe,” “anticipate,” “expect” and words of similar import. These statements are based on certain assumptions and analyses made by us in light of our experience and our assessment of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. However, whether actual results will conform to the expectations and predictions of management is subject to a number of risks and uncertainties that may cause actual results to differ materially.

Such risks include, among others, the following: national and local general economic and market conditions; our ability to sustain, manage or forecast our growth; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other factors referenced in this and previous filings.

Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results anticipated by management will be realized or, even if substantially realized, that they will have the expected consequences to or effects on our business operations.

PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****CHINA JO-JO DRUGSTORES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2018	March 31, 2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 6,922,357	\$ 15,132,640
Restricted cash	16,786,612	16,319,551
Financial assets available for sale	162,224	175,140
Notes receivable	223,954	279,082
Trade accounts receivable	7,830,713	8,322,393
Inventories	13,799,438	13,429,568
Other receivables, net	3,826,619	3,098,079
Advances to suppliers	3,234,939	3,447,452
Other current assets	1,484,108	2,116,237
Total current assets	54,270,964	62,320,142
PROPERTY AND EQUIPMENT, net	2,538,901	2,843,640
OTHER ASSETS		
Long-term investment	42,268	40,890
Farmland assets	734,951	796,286
Long term deposits	2,269,241	2,501,968
Other noncurrent assets	1,279,651	1,253,352
Intangible assets, net	3,567,044	4,056,414
Total other assets	7,893,155	8,648,910
Total assets	\$ 64,703,020	\$ 73,812,692
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable, trade	22,513,388	25,259,526
Notes payable	15,509,129	19,180,200
Other payables	4,823,881	4,272,523

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Other payables - related parties	726,670	850,342
Customer deposits	4,435,964	4,040,867
Taxes payable	91,613	366,040
Accrued liabilities	1,108,740	841,993
Total current liabilities	49,209,385	54,811,491
Purchase option and warrants liability	227,635	138,796
Total liabilities	49,437,020	54,950,287
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock; \$0.001 par value; 250,000,000 shares authorized; 28,936,778 and 28,936,778 shares issued and outstanding as of September 30, 2018 and March 31, 2018	28,937	28,937
Preferred stock; \$0.001 par value; 10,000,000 shares authorized; nil issued and outstanding as of September 30, 2018 and March 31, 2018	-	-
Additional paid-in capital	43,697,909	43,599,089
Statutory reserves	1,309,109	1,309,109
Accumulated deficit	(31,894,456)	(29,661,190)
Accumulated other comprehensive income	2,759,433	3,586,460
Total stockholders' equity	15,900,932	18,862,405
Noncontrolling interests	(634,932)	-
Total equity	15,266,000	18,862,405
Total liabilities and stockholders' equity	\$ 64,703,020	\$ 73,812,692

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

CHINA JO-JO DRUGSTORES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the three months ended September 30,		For the six months ended September 30,	
	2018	2017	2018	2017
REVENUES, NET	\$27,409,046	\$23,491,043	\$50,181,612	\$45,161,411
COST OF GOODS SOLD	21,611,945	17,933,446	38,767,708	35,426,153
GROSS PROFIT	5,797,101	5,557,597	11,413,904	9,735,258
SELLING EXPENSES	5,223,523	4,350,772	9,850,501	8,267,631
GENERAL AND ADMINISTRATIVE EXPENSES	2,215,484	2,855,555	3,770,012	4,580,998
TOTAL OPERATING EXPENSES	7,439,007	7,206,327	13,620,513	12,848,629
(LOSS) FROM OPERATIONS	(1,641,906)	(1,648,730)	(2,206,609)	(3,113,371)
INTEREST INCOME	26,060	358,344	73,232	403,243
OTHER INCOME (LOSS), NET	94,582	(8,703)	(20,359)	(38,051)
CHANGE IN FAIR VALUE OF DERIVATIVE LIABILITIES	(81,866)	148,427	(88,840)	198,751
(LOSS) BEFORE INCOME TAXES	(1,603,130)	(1,150,662)	(2,242,576)	(2,549,428)
PROVISION FOR INCOME TAXES	(415)	18,047	56,754	38,585
NET (LOSS)	(1,602,715)	(1,168,709)	(2,299,330)	(2,588,013)
OTHER COMPREHENSIVE (LOSS) INCOME				
Foreign currency translation adjustments	(1,448,661)	633,184	(827,027)	1,092,253
COMPREHENSIVE (LOSS)	\$(3,051,376)	\$(535,525)	\$(3,126,357)	\$(1,495,760)
WEIGHTED AVERAGE NUMBER OF SHARES:				
Basic	28,936,778	25,214,678	28,936,778	25,214,678
Diluted	28,936,778	25,214,678	28,936,778	25,214,678
EARNINGS PER SHARES:				
Basic	\$(0.06)	\$(0.05)	\$(0.08)	\$(0.10)

Diluted $\$(0.06)$ $\$(0.05)$ $\$(0.08)$ $\$(0.10)$

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

CHINA JO-JO DRUGSTORES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS