

CHINA JO-JO DRUGSTORES, INC.
Form 10-Q
February 12, 2016

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 **December 31, 2015**

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
(State or other jurisdiction of
incorporation or organization)

98-0557852
(I.R.S. Employer
Identification No.)

1st Floor, Yuzheng Plaza, No. 76,

310002

Yuhuangshan Road, Hangzhou, Zhejiang Province

People's Republic of 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

As of February 12, 2016, the registrant had 17,735,504 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

(UNAUDITED)

	December 31, 2015	March 31, 2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 4,339,272	\$ 4,023,581
Financial assets available for sale	-	1,307,200
Restricted cash	12,743,153	8,992,101
Notes receivable	35,443	138,952
Trade accounts receivable, net	8,751,355	9,237,743
Inventories	10,261,025	10,538,591
Other receivables, net	1,441,827	1,130,264
Advances to suppliers, net	5,479,954	4,717,352
Other current assets	1,421,842	2,200,838
Total current assets	44,473,871	42,286,622
PROPERTY AND EQUIPMENT, net	5,719,417	7,056,781
OTHER ASSETS		
Long-term investment	107,870	-
Farmland assets	1,683,586	1,704,359
Long term deposits	2,436,953	2,584,025
Other noncurrent assets	2,579,146	2,734,798
Intangible assets, net	2,918,279	3,142,003
Total other assets	9,725,834	10,165,185
Total assets	\$ 59,919,122	\$ 59,508,588
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term loan payable	\$ -	\$ 32,680
Accounts payable, trade	14,919,756	15,915,915
Notes payable	17,068,740	15,752,969
Other payables	2,812,922	2,931,869
Other payables - related parties	2,489,592	2,729,740
Customer deposits	2,440,184	3,759,050
Taxes payable	482,234	328,111
Accrued liabilities	554,819	509,537

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Total current liabilities	40,768,247	41,959,871
Purchase option and warrant liability	141,817	315,327
Total liabilities	40,910,064	42,275,198

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY

Preferred stock; \$0.001 par value; 10,000,000 shares authorized; nil issued and outstanding as of December 31, 2015 and March 31, 2015	-	-
Common stock; \$0.001 par value; 250,000,000 shares authorized; 17,735,504 and 15,650,504 shares issued and outstanding as of December 31, 2015 and March 31, 2015	17,736	15,651
Additional paid-in capital	22,512,969	19,301,233
Statutory reserves	1,309,109	1,309,109
Accumulated deficit	(7,759,951)	(7,404,210)
Accumulated other comprehensive income	2,929,195	3,972,543
Total stockholders' equity	19,009,058	17,194,326
Noncontrolling interests	-	39,064
Total equity	19,009,058	17,233,390
Total liabilities and stockholders' equity	\$ 60,485,334	\$ 59,508,588

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 (LOSS) INCOME
(UNAUDITED)

	For the three months ended December 31,		For the nine months ended December 31,	
	2015	2014	2015	2014
REVENUES, NET	\$24,708,046	\$21,320,039	\$68,596,964	\$56,223,336
COST OF GOODS SOLD	19,860,713	18,138,006	55,396,941	47,765,427
GROSS PROFIT	4,847,333	3,182,033	13,200,023	8,457,909
SELLING EXPENSES	3,286,637	2,184,184	9,801,761	5,886,541
GENERAL AND ADMINISTRATIVE EXPENSES	1,868,448	622,113	3,628,520	2,449,489
TOTAL OPERATING EXPENSES	5,155,085	2,806,297	13,430,281	8,336,030
(LOSS) INCOME FROM OPERATIONS	(307,752)	375,736	(230,258)	121,879
OTHER EXPENSES, NET	(290,122)	(106,773)	(219,771)	(275,301)
CHANGE IN FAIR VALUE OF DERIVATIVE LIABILITIES	15,444	(127,431)	173,510	(51,074)
(LOSS) INCOME BEFORE INCOME TAXES	(582,430)	141,532	(276,519)	(204,496)
PROVISION FOR INCOME TAXES	35,099	14,007	79,224	52,828
NET (LOSS) INCOME	(617,529)	127,525	(355,743)	(257,324)
NET (LOSS) INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	(987)	-	932
NET (LOSS) INCOME ATTRIBUTABLE TO CHINA JO-JO DRUGSTORES, INC.	(617,529)	126,538	(355,743)	(256,392)
OTHER COMPREHENSIVE (LOSS) INCOME				
Foreign currency translation adjustments	(268,795)	52,740	(1,043,348)	111,200
COMPREHENSIVE (LOSS) INCOME	\$(886,324)	\$179,278	\$(1,399,091)	\$(145,192)
WEIGHTED AVERAGE NUMBER OF SHARES:				
Basic	17,180,830	15,199,092	16,459,195	14,867,218
Diluted	17,180,830	15,596,554	16,459,195	14,867,218

(LOSS) INCOME PER SHARES:

Basic	\$ (0.04) \$ 0.01	\$ (0.02) \$ (0.02)
Diluted	\$ (0.04) \$ 0.01	\$ (0.02) \$ (0.02)

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

(UNAUDITED)

	Nine months ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(355,743)	\$(257,324)
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,163,994	1,240,323
Stock-based compensation	520,953	527,357
Bad debt provision	(1,369,786)	(3,126,039)
Inventory reserve	-	277,603
Change in fair value of purchase option derivative liability	(173,510)	51,074
Change in operating assets:		
Accounts receivable, trade	243,666	1,566,629
Notes receivable	99,199	(108,096)
Inventories	(413,472)	(2,976,220)
Other receivables	(142,734)	(619,695)
Advances to suppliers	(413,238)	1,916,591
Other current assets	678,339	55,012
Long term deposit	-	220,146
Other noncurrent assets	-	280,399
Change in operating liabilities:		