HOWELL CHARLES F
Form 5
January 25, 2005

# FORM 5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).
Form 3 Holdings Reported
Form 4 Transactions Reported

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

## ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

| OMB APPROVAL | |
|---|---|
| OMB Number: | 3235-0362 |
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1. Name and Address of Reporting Person *
HOWELL CHARLES F

(Last) (First) (Middle)

C/O PATRIOT NATIONAL BANK,Â 900 BEDFORD STREET

(Street)

STAMFORD,Â CTÂ 06901

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PATRIOT NATIONAL BANCORP INC [PNBK]

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
12/31/2004

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President

6. Individual or Joint/Group Reporting

(check applicable line)

_X_ Form Filed by One Reporting Person
___ Form Filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned at end of Issuer's Fiscal Year (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Amount | (A) or (D) | Price | | | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 2270 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative | 2. Conversion | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if | 4. Transaction | 5. Number of Derivative | 6. Date Exercisable and Expiration Date | 7. Title and Am Underlying Sec |
|---|---|---|---|---|---|---|---|

| Security (Instr. 3) | or Exercise Price of Derivative Security | | any (Month/Day/Year) | Code (Instr. 8) | Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | (Month/Day/Year) | | (Instr. 3 and 4) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | (A) | (D) | Date Exercisable | Expiration Date | Title | A or N of |
| Restricted Share Rights | $ 0 | 12/31/2000 | Â | A | 6,779 | Â | Â (1) | 12/31/2004 | Common Stock | 6 |
| Restricted Share Rights | $ 0 | 12/31/2001 | Â | A | 5,797 | Â | Â (1) | 12/31/2005 | Common Stock | 5 |
| Restricted Share Rights | $ 0 | 12/31/2002 | Â | A | 5,187 | Â | Â (1) | 12/31/2006 | Common Stock | 5 |
| Restricted Share Rights | $ 0 | 12/31/2003 | Â | A | 4,537 | Â | Â (1) | 12/31/2007 | Common Stock | 4 |
| Stock Appreciation Rights | $ 7.08 | 12/31/2000 | Â | A | 10,000 | Â | 12/31/2004 | 12/31/2010 | Common Stock | 1 |
| Stock Appreciation Rights | $ 8.28 | 12/31/2001 | Â | A | 10,000 | Â | 12/31/2002 | 12/31/2011 | Common Stock | 1 |
| Stock Appreciation Rights | $ 9.84 | 12/31/2002 | Â | A | 10,000 | Â | 12/31/2003 | 12/31/2012 | Common Stock | 1 |
| Stock Appreciation Rights | $ 11.9 | 12/31/2003 | Â | A | 10,000 | Â | 12/31/2004 | 12/31/2013 | Common Stock | 1 |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| HOWELL CHARLES F<br>C/O PATRIOT NATIONAL BANK<br>900 BEDFORD STREET<br>STAMFORD,Â CTÂ 06901 | Â X | Â | Â President | Â |

# Signatures

| | |
|---|---|
| /s/ Charles F. Howell | 01/19/2005 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** No Restricted Shares were available for grant under restricted stock program at 12/31/00 - 03. Of the 6,779 restricted share rights granted 12/31/00, 1,694 vested and were exchanged for cash on each of 12/31/01, 12/31/02 and 12/31/03, and 1,695 vested and were paid in cash 12/31/04. Of the 5,797 restricted share rights granted 12/31/01, 1,449 vested and were exchanged for cash on each of 12/31/02, 12/31/03 and 12/31/04, and 1,450 will vest on 12/31/05. Of the 5,182 restricted shares rights granted 12/31/02, 1,251 vested and were exchanged for cash on each of 12/31/03 and 12/31/04 and 1,385 will vest on 12/31/05 and 1,295 will vest 12/31/06. Of the 4,537 restricted share rights granted on 12/31/03, 1,134 vested and were exchanged for cash on 12/31/04 and 1,154 will vest on each of 12/31/05, 12/31/06 and 12/31/07

**(2)** All awards were made for services rendered.

Note: File three copies of this Form, one of which must be manually signed. If space provided is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ily: Times New Roman, Times, Serif; font-size: 10pt">The accompanying notes are an integral part of these consolidated financial statements.

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CHINA JO-JO DRUGSTORES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the years ended March 31, 2016 | 2015 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $447,156 | $855,628 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Bad debt direct write-off and provision | (1,584,031) | (7,461,802) |
| Depreciation and amortization | 1,456,029 | 2,820,489 |
| Inventory reserve and write-off | - | (775,660) |
| Leasehold improvement and fixed assets impairment | - | 1,053,765 |
| Stock compensation | 1,002,791 | 1,004,487 |
| Change in fair value of purchase option derivative liability | (612,198) | 36,411 |
| Change in operating assets: | | |
| Accounts receivable, trade | 432,677 | (410,498) |
| Notes receivable | 118,687 | (138,187) |
| Inventories and biological assets | (762,212) | (2,970,350) |
| Other receivables | (67,778) | (920,961) |
| Advances to suppliers | 1,329,323 | 5,266,390 |
| Other current assets | 581,847 | (523,585) |
| Long term deposit | - | 220,079 |
| Other noncurrent assets | - | 320,938 |
| Change in operating liabilities: | | |
| Accounts payable, trade | 1,595,739 | 1,255,589 |
| Other payables and accrued liabilities | (598,213) | 929,608 |
| Customer deposits | (976,138) | 548,534 |
| Taxes payable | 202,026 | (47,657) |
| Net cash provided by operating activities | 2,585,705 | 1,063,218 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of financial assets available for sale | 790,845 | - |
| Increase in financial assets available for sale | - | (1,307,200) |
| Acquisition of equipment | (192,937) | (1,283,997) |
| Increase in intangible assets-acquisition of Sanhao Pharmacy | - | (1,585,118) |
| Investment in a joint venture | (110,718) | - |
| Additions to leasehold improvements | (57,382) | (189,135) |
| Net cash provided by (used in) investing activities | 429,808 | (4,365,450) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from short-term bank loan | 23,258 | 32,500 |
| Repayment of short-term bank loan | (23,258) | (162,500) |
| Repayment of third parties loan | - | (294,405) |

| | | |
|---|---|---|
| Change in restricted cash | (5,319,861 ) | (5,824,192 ) |
| Proceeds from notes payable | 21,657,140 | 28,169,765 |
| Repayment of notes payable | (18,956,792) | (20,333,918) |
| Changes in other payables-related parties | (481,879 ) | 1,280,997 |
| Proceeds from sale of stock and warrants | 2,699,500 | - |
| Net cash provided by (used in) financing activities | (401,892 ) | 2,868,247 |
| EFFECT OF EXCHANGE RATE ON CASH | 34,671 | 12,290 |
| INCREASE (DECREASE) IN CASH | 2,648,292 | (421,695 ) |
| CASH, beginning of year | 4,023,581 | 4,445,276 |
| CASH, end of year | $6,671,873 | $4,023,581 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | $155,578 | $56,366 |
| Cash paid for income taxes | $78,550 | $65,567 |
| Issuance of common stocks in exchange of debts | $- | $941,613 |
| Non-cash financing activities: | | |
| Issuance of stock purchase options to an investment bank | 147,728 | - |

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

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**Note 1 – DESCRIPTION OF BUSINESS AND ORGANIZATION**

China Jo-Jo Drugstores, Inc. (“Jo-Jo Drugstores” or the “Company”), was incorporated in Nevada on December 19, 2006, originally under the name “Kerrisdale Mining Corporation”. On September 24, 2009, the Company changed its name to “China Jo-Jo Drugstores, Inc.” in connection with a share exchange transaction as described below.

On September 17, 2009, the Company completed a share exchange transaction with Renovation Investment (Hong Kong) Co., Ltd. (“Renovation”), whereby 7,900,000 shares of common stock were issued to the stockholders of Renovation in exchange for 100% of the capital stock of Renovation. The completion of the share exchange transaction resulted in a change of control. The share exchange transaction was accounted for as a reverse acquisition and recapitalization and, as a result, the consolidated financial statements of the Company (the legal acquirer) are, in substance, those of Renovation (the accounting acquirer), with the assets and liabilities, and revenues and expenses, of the Company being included effective from the date of the share exchange transaction. Renovation has no substantive operations of its own except for its holdings of Zhejiang Jiuxin Investment Management Co., Ltd. (“Jiuxin Management”), Zhejiang Shouantang Medical Technology Co., Ltd. (“Shouantang Technology”) and Hangzhou Jiutong Medical Technology Co., Ltd (“Jiutong Medical”), its wholly-owned subsidiaries.

The Company is a retail, both online and offline, and wholesale distributor of pharmaceutical and other healthcare products in the People’s Republic of China (“China” or the “PRC”). The Company’s offline retail business is comprised primarily of pharmacies, which are operated by Hangzhou Jiuzhou Grand Pharmacy Chain Co., Ltd. (“Jiuzhou Pharmacy”), a company that the Company controls through contractual arrangements.

The Company’s offline retail business also includes three medical clinics through Hangzhou Jiuzhou Clinic of Integrated Traditional and Western Medicine (“Jiuzhou Clinic”) and Hangzhou Jiuzhou Medical and Public Health Service Co., Ltd. (“Jiuzhou Service”), both of which are also controlled by the Company through contractual arrangements. On December 18, 2013, Jiuzhou Service established, and held 51% of, Hangzhou Shouantang Health Management Co., Ltd. (“Shouantang Health”), a PRC company licensed to sell health care products. Shouantang Health was closed in April 2015.

The Company’s online pharmacy license remains with Jiuzhou Pharmacy and its online retail pharmacy business was primarily conducted through Zhejiang Quannuo Internet Technology Co., Ltd. (“Quannuo Technology”), which provided technical, sales and logistic support. In May 2015, the Company established Zhejiang Jianshun Network Technology Co. Ltd, a joint venture with Shanghai Jianbao Technology Co., Ltd. (“Jianshun Network”), in order to develop its online pharmaceutical sales from large commercial medical insurance companies. On September 10, 2015, Renovation set up a new entity named Hangzhou Jiuyi Medical Technology Co. Ltd. (“Jiuyi Technology”) to provide additional technical support such as webpage development to our online pharmacy business. In November 2015, the Company sold all of the equity interests of Quannou Technology to six individuals for approximately $17,121

(RMB107,074). After the sale, its technical support function has been transferred back to Jiuzhou Pharmacy, which hosts our online pharmacy.

The Company’s wholesale business is primarily conducted through Zhejiang Jiuxin Medicine Co., Ltd. (“Jiuxin Medicine”), which is licensed to distribute prescription and non-prescription pharmaceutical products throughout China. Jiuzhou Pharmacy acquired Jiuxin Medicine on August 25, 2011.

The Company’s herb farming business is conducted by Hangzhou Qianhong Agriculture Development Co., Ltd. (“Qianhong Agriculture”), a wholly-owned subsidiary of Jiuxin Management, which operates a cultivation project of herbal plants used for traditional Chinese medicine (“TCM”).

The accompanying consolidated financial statements reflect the activities of the Company and each of the following entities:

| Entity Name | Background | Ownership |
|---|---|---|
| Renovation | Incorporated in Hong Kong SAR on September 2, 2008 | 100% |
| Jiuxin Management | Established in the PRC on October 14, 2008<br><br>Deemed a wholly foreign owned enterprise (“WFOE”) under PRC law<br><br>Registered capital of $4.5 million fully paid | 100% |
| Qianhong Agriculture | Established in the PRC on August 10, 2010 by Jiuxin Management<br><br>Registered capital of RMB 10 million fully paid<br><br>Carries out herb farming business | 100% |
| Jiuzhou Pharmacy (1) | Established in the PRC on September 9, 2003<br><br>Registered capital of RMB 5 million fully paid<br><br>Operates the “Jiuzhou Grand Pharmacy” stores in Hangzhou | VIE by contractual arrangements (2) |
| Jiuzhou Clinic (1) | Established in the PRC as a general partnership on October 10, 2003<br><br>Operates a medical clinic adjacent to one of Jiuzhou Pharmacy’s stores | VIE by contractual arrangements (2) |
| Jiuzhou Service (1) | Established in the PRC on November 2, 2005<br><br>Registered capital of RMB 500,000 fully paid | VIE by contractual arrangements (2) |

| | | |
|---|---|---|
| | Operates a medical clinic adjacent to one of Jiuzhou Pharmacy's stores | |
| Jiuxin Medicine | Established in PRC on December 31, 2003<br><br>Acquired by Jiuzhou Pharmacy in August 2011<br><br>Registered capital of RMB 10 million fully paid<br><br>Carries out pharmaceutical distribution services | VIE by contractual arrangements as a wholly-owned subsidiary of Jiuzhou Pharmacy (2) |
| Jiutong Medical | Established in the PRC on December 20, 2011 by Renovation<br><br>Registered capital of $2.6 million fully paid<br><br>Currently has no operation | 100% |

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| Entity Name | Background | Ownership |
|---|---|---|
| Shouantang Bio | Established in the PRC in October, 2014 by Shouantang Technology<br>100% held by Shouantang Technology<br>Registered capital of RMB 1,000,000 fully paid<br>Sells nutritional supplements under its own brand name | VIE by contractual arrangements as a controlled entity of Jiuzhou Service (2) |
| Jianshun Network | Established in the PRC in May 2015<br>35% held by Jiuzhou Pharmacy<br>Manages sales on official website of the online pharmacy | Joint Venture 35% owned by Jiuzhou Pharmacy |
| Jiuyi Technology | Established in the PRC on September 10, 2015<br>100% held by Renovation<br>Technical support to online pharmacy | 100% |

(1) Jiuzhou Pharmacy, Jiuzhou Clinic and Jiuzhou Service have been under the common control of the three shareholders of Renovation (the "Owners") since their respective establishment dates, pursuant to agreements among the Owners to vote their interests in concert as memorialized in a voting agreement. Based on such voting agreement, the Company has determined that common control exists among these three companies. Operationally, the Owners have operated these three companies in conjunction with one another since each company's respective establishment date. Jiuxin Medicine is also deemed under the common control of the Owners as a subsidiary of Jiuzhou Pharmacy.

(2) To comply with certain foreign ownership restrictions of pharmacy and medical clinic operators, Jiuxin Management entered into a series of contractual arrangements with Jiuzhou Pharmacy, Jiuzhou Clinic and Jiuzhou Service on August 1, 2009. These contractual arrangements are comprised of five agreements: consulting services agreement, operating agreement, equity pledge agreement, voting rights agreement and option agreement. As a result of these agreements, which obligate Jiuxin Management to absorb all of the risks of loss from the activities of Jiuzhou Pharmacy, Jiuzhou Clinic and Jiuzhou Service, and enable the Company (through Jiuxin Management) to receive all of their expected residual returns, the Company accounts for all three companies (as well as subsidiaries of Jiuzhou Pharmacy) as a variable interest entity ("VIE") under the accounting standards of the Financial Accounting Standards Board ("FASB"). Accordingly, the financial statements of Jiuzhou Pharmacy, Jiuzhou Clinic and Jiuzhou Service, as well as the subsidiary under the control of Jiuzhou Pharmacy, Jiuxin Medicine and Shouantang Bioare consolidated into the financial statements of the Company.

**Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of presentation and consolidation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The consolidated financial statements include the financial statements of the Company, its wholly-owned subsidiaries and VIEs. All significant inter-company transactions and balances between the Company, its subsidiaries and VIEs are eliminated upon consolidation.

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on net income or cash flows as previously reported.

Consolidation of variable interest entities

In accordance with accounting standards regarding consolidation of variable interest entities, VIEs are generally entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. All VIEs with which the Company is involved must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes.

The Company has concluded, based on the contractual arrangements, that Jiuzhou Pharmacy (including its subsidiaries and controlled entities), Jiuzhou Clinic and Jiuzhou Service are each a VIE and that the Company's wholly-owned subsidiary, Jiuxin Management, absorbs a majority of the risk of loss from the activities of these companies, thereby enabling the Company, through Jiuxin Management, to receive a majority of their respective expected residual returns.

Additionally, as Jiuzhou Pharmacy, Jiuzhou Clinic and Jiuzhou Service are under common control, the consolidated financial statements have been prepared as if the transactions had occurred retroactively as to the beginning of the reporting period of these consolidated financial statements.

Control and common control are defined under the accounting standards as "an individual, enterprise, or immediate family members who hold more than 50 percent of the voting ownership interest of each entity". Because the Owners collectively own 100% of Jiuzhou Pharmacy, Jiuzhou Clinic and Jiuzhou Service, and have agreed to vote their interests in concert since the establishment of each of these three companies as memorialized the Voting Rights Proxy Agreement, the Company believes that the Owners collectively have control and common control of the three companies. Accordingly, the Company believes that Jiuzhou Pharmacy, Jiuzhou Clinic and Jiuzhou Service were constructively held under common control by Jiuxin Management as of the time the Contractual Agreements were entered into, establishing Jiuxin Management as their primary beneficiary. Jiuxin Management, in turn, is owned by Renovation, which is owned by the Company.

Risks and Uncertainties

The operations of the Company are located in the PRC. Accordingly, the Company's business, financial condition, and results of operations may be influenced by political, economic, and legal environments in the PRC, as well as by the general state of the PRC economy. The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The

Company's results may be adversely affected by changes in the political, regulatory and social conditions in the PRC. Although the Company has not experienced losses from these situations and believes that it is in compliance with existing laws and regulations including its organization and structure disclosed in Note 1, this may not be indicative of future results.

The Company has significant cash deposits with suppliers in order to obtain and maintain inventory. The Company's ability to obtain products and maintain inventory at existing and new locations is dependent upon its ability to post and maintain significant cash deposits with its suppliers. In the PRC, many vendors are unwilling to extend credit terms for product sales that require cash deposits to be made. The Company does not generally receive interest on any of its supplier deposits, and such deposits are subject to loss as a result of the creditworthiness or bankruptcy of the party who holds such funds, as well as the risk from illegal acts such as conversion, fraud, theft or dishonesty associated with the third party. If these circumstances were to arise, the Company would find it difficult or impossible, due to the unpredictability of legal proceedings in China, to recover all or a portion of the amount on deposit with its vendors or landlords.

Members of the current management team own controlling interests in the Company and are also the Owners of the VIEs in the PRC. The Company only controls the VIEs through contractual arrangements which obligate it to absorb the risk of loss and to receive the residual expected returns. As such, the controlling shareholders of the Company and the VIEs could cancel these agreements or permit them to expire at the end of the agreement terms, as a result of which the Company would not retain control of the VIEs.

Use of estimates

The preparation of unaudited condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates made in the preparation of the accompanying unaudited condensed consolidated financial statements relate to the assessment of the carrying values of accounts receivable, advances to suppliers and related allowance for doubtful accounts, useful lives of property and equipment, inventory reserve and fair value of its purchase option derivative liability. Because of the use of estimates inherent in the financial reporting process, actual results could materially differ from those estimates.

Fair value measurements

The Company has adopted ASC Topic 820, “Fair Value Measurement and Disclosure,” which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. It does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. It establishes a three-level valuation hierarchy of valuation techniques based on observable and unobservable inputs, which may be used to measure fair value and include the following:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

The Company's financial assets and liabilities, which include financial instruments as defined by ASC 820, include cash and cash equivalents, accounts receivable, accounts payable, long-term debt and derivatives. The carrying amounts of cash and cash equivalents, financial assets available for sales, accounts receivable, notes receivables, and accounts payable are a reasonable approximation of fair value due to the short maturities of these instruments (Level 1). The carrying amount of notes payable approximates fair value based on borrowing rates of similar bank loans currently available to the Company (Level 2) (See Note 14). The carrying amount of the Company's warrants is recorded at fair value and is determined based on observable inputs that are corroborated by market data (Level 2). As of March 31, 2016 and March 31, 2015, the fair values of our derivative instruments were carried at fair value (See Note 18).

| | Active Market | Observable Inputs | Unobservable Inputs | Total Carrying |
|---|---|---|---|---|

| | for Identical Assets (Level 1) | (Level 2) | (Level 3) | Value |
|---|---|---|---|---|
| Cash and cash equivalents: | 6,671,873 | - | - | 6,671,873 |
| Financial assets available for sale | 465,165 | - | - | 465,165 |
| Notes payable | - | 17,595,634 | - | 17,595,634 |
| Warrants liability | - | 636,301 | - | 636,301 |
| Total | 7,137,038 | 18,231,935 | - | 25,368,973 |

Revenue recognition

Revenue from sales of prescription medicine at the drugstores is recognized when the prescription is filled and the customer picks up and pays for the prescription.

Revenue from sales of other merchandise at the drugstores is recognized at the point of sale, which is when a customer pays for and receives the merchandise. Usually the majority of our merchandise such as prescription and OTC drugs are not allowed to be returned after the customers leave the counter. Return of other products such as sundry products are minimal. Sales of drugs reimbursed by the local government medical insurance agency and receivables from the agency are recognized when a customer pays for the drugs at a store. Based on historical experience, a reserve for potential loss from denial of reimbursement on certain unqualified drugs is made to the receivables from the government agency.

Revenue from medical services is recognized after the service has been rendered to a customer.

Revenue from online pharmacy sales is recognized when merchandise is shipped to customers. While most deliveries take one day, certain deliveries may take longer depending on a customer’s location. Any loss caused in a shipment will be reimbursed by the Company’s courier company. Our sales policy allows return of certain merchandises without reasons within seven days after customer’s receipts of merchandise. A proper sales reserve is made to account for the potential loss from returns from customers. Historically, sales returns seven days after merchandise receipts have been minimal.

Revenue from sales of merchandise to non-retail customers is recognized when the following conditions are met: (1) persuasive evidence of an arrangement exists (sales agreements and customer purchase orders are used to determine the existence of an arrangement); (2) delivery of goods has occurred and risks and benefits of ownership have been transferred, which is when the goods are received by the customer at its designated location in accordance with the sales terms; (3) the sales price is fixed or determinable; and (4) collectability is probable. Historically, sales returns have been minimal.

The Company's revenue is net of value added tax ("VAT") collected on behalf of PRC tax authorities in respect to the sales of merchandise. VAT collected from customers, net of VAT paid for purchases, is recorded as a liability in the accompanying consolidated balance sheets until it is paid to the relevant PRC tax authorities.

Restricted cash

The Company's restricted cash consists of cash in a bank as security for its notes payable. The Company has notes payable outstanding with the bank and is required to keep certain amounts on deposit that are subject to withdrawal restrictions. The notes payable are generally short term in nature due to their short maturity period of six to nine months; thus, restricted cash is classified as a current asset.

Accounts receivable

Accounts receivable represents the following: (1) amounts due from banks relating to retail sales that are paid or settled by the customers' debit or credit cards, (2) amounts due from government social security bureaus and commercial health insurance programs relating to retail sales of drugs, prescription medicine, and medical services that are paid or settled by the customers' medical insurance cards, (3) amounts due from non-bank third party payment instruments such as Alipay from certain e-commerce platforms and (4) amounts due from non-retail customers for sales of merchandise.

Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts, as necessary. In the Company's retail business, accounts receivable mainly consist of reimbursements due from the government insurance bureaus and commercial health insurance programs and are usually collected within two or three months. The Company directly writes off delinquent account balances, which is determined to be uncollectible after confirming with the appropriate bureau or program each month. Additionally, the Company also makes estimated reserves on related outstanding accounts receivable based on historical trend.

In the Company's online pharmacy business, accounts receivables primarily consist of amounts due from non-bank third party payment instruments such as Alipay from certain e-commerce platforms. To purchase pharmaceutical products from the e-commerce platforms such as Tmall, customers are required to pay to certain non-bank third party payment instruments such as Alipay, which, in turn, will reimburse the Company within seven days to a month. Except for customer returns of sold products, the receivables from these payments instruments are rarely uncollectible.

In its wholesale business, the Company uses the aging method to estimate the allowance for anticipated uncollectible receivable balances. Under the aging method, bad debt percentages are determined by management, based on historical experience and the current economic climate, are applied to customers' balances categorized by the number of months the underlying invoices have remained outstanding. At each reporting period, the allowance balance is adjusted to reflect the amount computed as a result of the aging method. When facts subsequently become available to indicate that the allowance provided requires an adjustment, a corresponding adjustment is made to the allowance account as a change in estimate.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by the first in first out (FIFO) method. Market value is the lower of replacement cost or net realizable value. The Company carries out physical inventory counts on a monthly basis at each store and warehouse. The Company periodically reviews its inventory and records write-downs to inventories for shrinkage losses and damaged merchandise that are identified. The Company provides a reserve for estimated inventory obsolescence or excess quantities on hand equal to the difference, if any, between the cost of the inventory and its estimated realizable value.

Farmland assets

Herbs that the Company farms are recorded at their costs, which includes direct costs such as seed selection, fertilizer, and labor costs that are spent in growing herbs on the leased farmland, and indirect costs such as amortization of farmland development costs. Since April 2014, amortization of farmland development costs has been expensed instead of allocated into inventory due to the unpredictable future market value of planted gingko trees.

All related costs described in the above are accumulated until the time of harvest and then allocated to harvested herbs when they are sold.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation or amortization. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, taking into consideration the assets' estimated residual value. Leasehold improvements are amortized over the shorter of lease term or remaining lease period of the underlying assets. Following are the estimated useful lives of the Company's property and equipment:

| | Estimated Useful Life |
|---|---|
| Leasehold improvements | 3-10 years |
| Motor vehicles | 3-5 years |
| Office equipment & furniture | 3-5 years |
| Buildings | 35 years |

Maintenance, repairs and minor renewals are charged to expenses as incurred. Major additions and betterment to property and equipment are capitalized.

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Intangible assets

Intangible assets are acquired individually or as part of a group of assets, and are initially recorded at their fair value. The cost of a group of assets acquired in a transaction is allocated to the individual assets based on their relative fair values.

The estimated useful lives of the Company’s intangible assets are as follows:

| | Estimated Useful Life |
|---|---|
| Land use right | 50 years |
| Software | 3 years |

The Company evaluates intangible assets for impairment whenever events or changes in circumstances indicate that the assets might be impaired. (See Note 12)

Impairment of long lived assets

The Company evaluates long lived tangible and intangible assets for impairment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. Recoverability is measured by comparing the assets’ net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss. There was no additional impairment occurred during fiscal 2016. There were $1,053,765 impaired in the year ended March 31, 2015 for the fixed assets in Jiuyingtang, a health club which has been closed in the year ended March 31, 2015.

Notes payable

During the normal course of business, the Company regularly issues bank acceptance bills as a payment method to settle outstanding accounts payables with various material suppliers. The Company records such bank acceptance bills as notes payable. Such notes payable are generally short term in nature due to their short maturity period of six to nine months.

Income taxes

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The Company follows FASB ASC Topic 740, “Income Taxes”, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates, applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company has adopted FASB ASC Topic 740-10-25, which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax position. The Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company performed self-assessment and the Company’s liability for income taxes includes the liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by taxing authorities. Audit periods remain open for review until the statute of limitations has passed, which in the PRC is usually 5 years. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Company’s liability for income taxes. Any such adjustment could be material to the Company’s results of operations for any given quarterly or annual period based, in part, upon the results of operations for the given period. As of March 31, 2016 and 2015, the management of the Company considered that the Company had no additional liabilities for uncertain tax positions affecting its consolidated financial position and results of operations or cash flows, and will continue to evaluate for any uncertain position in the future. There are no estimated interest costs and penalties provided in the Company’s consolidated financial statements for the years ended March 31, 2015 and 2016, respectively. The Company’s tax positions related to open tax years are subject to examination by the relevant tax authorities and the major one is the China Tax Authority.

Value added tax

Sales revenue represents the invoiced value of goods, net of VAT. All of the Company's products are sold in the PRC and are subjected to a VAT on the gross sales price. The VAT rates range up to 17%, depending on the type of products sold. The VAT may be offset by VAT paid by the Company on raw materials and other materials included in the cost of producing or acquiring its finished products. The Company recorded a VAT payable net of payments in the accompanying financial statements.

Stock based compensation

The Company follows the provisions of ASC 718 *Compensation — Stock Compensation* and ASC 505-50 *Equity-Equity-Based Payments to Non-Employees*, which establishes accounting standards for employee and non-employee stock-based awards respectively. Under the provisions of ASC 718, the fair value of stock issued is used to measure the fair value of services received as the Company believes such approach is a more reliable method of measuring the fair value of the services. For non-employee stock-based awards, fair value is measured based on the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is calculated and then recognized as compensation expense over the requisite performance period. For employee stock-based awards, share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense with graded vesting on a straight–line basis over the requisite service period for the entire award.

Advertising and promotion costs

Advertising and promotion costs are expensed as incurred, and amounted to $445,000 and $412,535 for years ended March 31, 2016 and 2015, respectively. Such costs consist primarily of print and promotional materials such as flyers to local communities.

Operating leases

The Company leases premises for retail drugstores, offices and wholesale warehouse under non-cancelable operating leases. Operating lease payments are expensed over the term of lease. A majority of the Company's retail drugstore leases have a 3 to 8 year term with a renewal option upon the expiration of the lease; the wholesale warehouse lease has a 10-year term with a renewal option upon the expiration of the lease. The Company has historically been able to renew a majority of its drugstores leases. Under the terms of the lease agreements, the Company has no legal or contractual asset retirement obligations at the end of the lease. In addition, land leased from the government is amortized on a straight-line basis over a 30-year term.

Foreign currency translation

The Company uses the United States dollar ("U.S. dollars" or "USD") for financial reporting purposes. The Company's subsidiaries and VIEs maintain their books and records in their functional currency the Renminbi ("RMB"), the currency of the PRC.

In general, for consolidation purposes, the Company translates the assets and liabilities of its subsidiaries and VIEs into U.S. dollars using the applicable exchange rates prevailing at the balance sheet date, and the statements of income and cash flows are translated at average exchange rates during the reporting period. As a result, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet. Equity accounts are translated at historical rates. Adjustments resulting from the translation of the financial statements of the subsidiaries and VIEs are recorded as accumulated other comprehensive income.

The balance sheet amounts, with the exception of equity, at March 31, 2016 and 2015 were translated at 1 RMB to 0.1623 USD and at 1 RMB to 0.1634 USD, respectively. The average translation rates applied to income and cash flow statement amounts for the years ended March 31, 2016 and 2015 were at 1 RMB to 0.1582 USD and at 1 RMB to 0.1625 USD, respectively.

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Concentrations and credit risk

Certain financial instruments, which subject the Company to concentration of credit risk, consist of cash and restricted cash. The Company has cash balances at financial institutions located in Hong Kong and PRC. Balances at financial institutions in Hong Kong may, from time to time, exceed Hong Kong Deposit Protection Board's insured limits. Balances at financial institutions and state-owned banks within the PRC are not covered by insurance. As of March 31, 2016 and 2015, the Company had deposits totaled $19,956,275 and $12,563,579 that were not covered by insurance, respectively. To date, the Company has not experienced any losses in such accounts.

For the fiscal year ended March 31, 2016, two vendors collectively accounted for 25% of the Company's total purchases and one supplier accounted for more than 10% of total advances to suppliers. For the fiscal year ended March 31, 2015, two vendors accounted for 28% of the Company's total purchases and another vendor accounted for more than 10% of total advances to suppliers.

For the fiscal year ended March 31, 2016, no customer accounted for more than 10% of the Company's total sales or more than 10% of total accounts receivable. For the fiscal year ended March 31, 2015, no customer accounted for more than 10% of the Company's total sales and more than 10% of total accounts receivable.

Recent Accounting Pronouncements

In June 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-10, "Technical Corrections and Improvements" ("ASU 2015-10"). The amendments in ASU 2015-10 cover a wide range of Topics in the Accounting Standards Codification (the "ASC"). The amendments in ASU 2015-10 represent changes to clarify the ASC, correct unintended application of guidance, or make minor improvements to the ASC that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Additionally, some of the amendments will make the ASC easier to understand and easier to apply by eliminating inconsistencies, providing needed clarifications, and improving the presentation of guidance in the ASC. Transition guidance varies based on the amendments in ASU 2015-10. The amendments in ASU 2015-10 that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. All other amendments will be effective upon the issuance of ASU 2015-10. We are currently in the process of evaluating the impact of the adoption of ASU 2015-02 on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory" ("ASU 2015-11"). The amendments in this update require an entity to measure inventory within the scope of ASU

2015-11 (the amendments in ASU 2015-11 do not apply to inventory that is measured using last-in, first-out or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out or average cost) at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is uncharged for inventory measured using last-in, first-out or the retail inventory method. The amendments in ASU 2015-11 more closely align the measurement of inventory in U.S. GAAP with the measurement of inventory in International Financial Reporting Standards (“IFRS”). ASU 2015-11 is effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in ASU 2015-11 should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. We are currently in the process of evaluating the impact of the adoption of ASU 2015-02 on our consolidated financial statements.

In August 2015, the FASB issued ASU 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date”, which defers the effective date of ASU 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Currently, the Company is evaluating the impact of our pending adoption of ASU 2014-09 and ASU 2015-14 on its consolidated financial statements and has not yet determined the method by which it will adopt the standard in year 2018.

In September 2015, the FASB issued ASU No. 2015-16, “Business Combination (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments” (“ASU 2015-16”). The amendments in this update require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer is required to also record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in ASU 2015-16 should be applied prospectively to adjustments to provisional amounts that occur after the effective date of ASU 2015-16 with earlier application permitted for financial statements that have not been issued. We do not expect the adoption of ASU 2015-16 to have a material impact on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes” (“ASU 2015-17”). Topic 740, Income Taxes, requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Deferred tax liabilities and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting. Deferred tax liabilities and assets that are not related to an asset or liability for financial reporting are classified according to the expected reversal date of the temporary difference. To simplify the presentation of deferred income taxes, the amendments in ASU 2015-17 require that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. For public business entities, the amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We do not expect the adoption of ASU 2015-17 to have a material impact on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). The amendments in this update require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in this update also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition the amendments in this update eliminate the requirement for to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public entities. For public business entities, the amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Except for the early application guidance discussed in ASU 2016-01, early adoption of the amendments in this update is not permitted. We do not expect the adoption of ASU 2016-01 to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). The amendments in this update create Topic 842, Leases, and supersede the leases requirements in Topic 840, Leases. Topic 842 specifies the accounting for leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The main difference between Topic 842 and Topic 840 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under Topic 840. Topic 842 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous leases guidance. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model in Topic 842, the effect of leases in the statement of comprehensive income and the statement of cash flows is largely unchanged from previous GAAP. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. Early application of the amendments in ASU 2016-02 is permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements.

**NOTE 3 – FINANCIAL ASSETS AVAILABLE FOR SALE**

As of March 31, 2016 and 2015, financial assets available for sale amounted to $465,165 and $1,307,200, respectively. On March 28, 2016, the Company purchased from Bank of Hangzhou a wealth-management product called “Lehui 2016”, which bears an annual interest rate of 4.15% and is due on September 26, 2016. The total principal is $465,165 (RMB 3,000,000).

**NOTE 4 – TRADE ACCOUNTS RECEIVABLE**

Trade accounts receivable consisted of the following:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Accounts receivable | $10,153,840 | $12,108,561 |
| Less: allowance for doubtful accounts | (2,099,243 ) | (2,870,818 ) |
| Trade accounts receivable, net | $8,054,597 | $9,237,743 |

For the years ended March 31, 2016 and 2015, $166,102 and $253,193 in accounts receivable were directly written off, respectively. As of March 31, 2016 and 2015, no trade accounts receivables were pledged as collateral for borrowings from financial institutions.

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**Note 5 – OTHER CURRENT ASSETS**

Other current assets consisted of the following:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Prepaid rental expenses (1) | $1,052,196 | $1,712,018 |
| Prepaids and other current assets | 465,852 | 488,820 |
| Total | $1,518,048 | $2,200,838 |

(1) Represents store rental expenses that were usually prepaid and amortized over the prepayment period. Due to the popularity of e-commerce in China, the Company was able to negotiate with landlord about rental cut as a lease comes to renewal. In addition, as the Company has relocated some of our stores in fiscal 2016. Rental payment pattern was changed, so certain prepayment used to be made in February and March, were arranged in different months. Hence, the prepaid rental expenses declined from March 31, 2015 to March 31, 2016.

**Note 6 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Building | $1,662,510 | $1,751,986 |
| Leasehold improvements | 12,308,190 | 12,792,714 |
| Farmland development cost | 1,854,364 | 1,954,165 |
| Office equipment and furniture | 5,560,171 | 5,949,193 |
| Motor vehicles | 624,235 | 667,428 |
| Total | 22,009,470 | 23,115,486 |
| Less: Accumulated depreciation | (14,138,992) | (13,606,043) |
| Impairment* | (2,327,402) | (2,452,662) |
| Property and equipment, net | $5,543,076 | $7,056,781 |

*The variance of impairment from March 31, 2015 to March 31, 2016 is solely caused by exchange rate variance.

Total depreciation expense for property and equipment was $1,402,211 and $2,788,691 for the years ended March 31, 2016 and 2015, respectively.

**Note 7 – ADVANCES TO SUPPLIERS**

Advances to suppliers consist of deposits with or advances to outside vendors for future inventory purchases. Some of the Company's vendors require a certain amount of money to be deposited with them as a guarantee that the Company will receive its purchases on a timely basis. This amount is refundable and bears no interest. As of March 31, 2016 and March 31, 2015, advance to suppliers consist of the following:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Advance to suppliers | $4,336,207 | $5,942,866 |
| Less: allowance for doubtful accounts* | (105,542 ) | (1,225,514) |
| Advance to suppliers, net | $4,230,665 | $4,717,352 |

For both the years ended March 31, 2016 and 2015, none of the advances to suppliers were written off against previous allowance for doubtful accounts, respectively.

*Significant efforts have been spent to collect aged accounts in the past year. As a result, allowance reserved against the aged accounts has been reduced. New prepayment accounts incurred in fiscal 2016 are usually short-term in nature and require limited reserve allowance.

**Note 8 – INVENTORY**

Inventory consisted of finished goods, were $10,802,691 and $10,538,591 as of March 31, 2016 and March 31, 2015, respectively. The Company constantly monitors its potential obsolete products and is allowed to return products close to expiration dates to its suppliers. Any loss on damaged items is immaterial and will be recognized immediately, As a result, no reserves were made as of March 31, 2016 and March 31, 2015.

**Note 9 – LONG TERM INVESTMENT**

In May 2015, the Company, through Jiuzhou Pharmacy, established Zhejiang Jianshun Network Technology Co. Ltd, a joint venture with Shanghai Jianbao Technology Co., Ltd. (“Jianshun Network”), in order to develop its online pharmaceutical sales from large commercial medical insurance companies. As of March 31, 2016, Jianshun Network has received a total of $310,110 (RMB 2,000,000) capital, among which, Jiuzhou Pharmacy contributed 35% or $108,539 (RMB700,000).

**Note 10 – FARMLAND ASSETS**

Farmland assets are ginkgo trees planted in 2012 and expected to be harvested and sold in several years. As of March 31, 2016 and March 31, 2015, farmland assets consisted of the following:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Farmland assets | $2,346,209 | $2,530,558 |
| Less: impairments* | (784,004 ) | (826,199 ) |
| Farmland assets, net | $1,562,205 | $1,704,359 |

* The estimated fair value is estimated to be lower than its investment value in fiscal 2016 and 2015. The slight decrease in the impairment amount from March 31, 2015 to March 31, 2016 is caused by exchange rate variance.

**Note 11 – LONG TERM DEPOSITS, LANDLORDS**

Long term deposits were $2,452,056 and $2,584,025 as of March 31, 2016 and March 31, 2015, respectively. Long term deposits are money deposited with or advanced to landlords for securing retail store leases for which the Company does not anticipate applying or being returned within the next twelve months. Most of the Company’s landlords require a minimum of nine months’ rent being paid upfront plus additional deposits.

**Note 12 – OTHER NONCURRENT ASSETS**

Other noncurrent assets consisted of prepayment for lease of land use right, which were $2,595,129 and $2,734,798 as of March 31, 2016 and March 31, 2015, respectively.

The prepayment for lease of land use right is a payment made to a local government in connection with entering into a 30-year operating land lease agreement. The land is currently used to cultivate Ginkgo trees. This prepayment includes a deposit of $1,085,385, which will be refundable on the due date. Based on expected output from planted Gingko trees such as expected fruit production and tree market value, the fair value of the lease prepayment was lower than carrying cost. As a result, the Company recorded impairment on the lease prepayment.

The amortization of prepayment for lease of land use right was $65,317 and $67,104 for the year ended March 31, 2016 and 2015, respectively. Such amounts were capitalized and recorded as work-in-process inventory.

The Company’s amortizations of the prepayment for lease of land use right for the next five years and thereafter are as follows:

| Years ending March 31, | Amount |
|---|---|
| 2016 | $65,317 |
| 2017 | 65,317 |
| 2018 | 65,317 |
| 2019 | 65,317 |
| 2020 | 65,317 |
| Thereafter | 1,183,161 |

**Note 13 – INTANGIBLE ASSETS**

Net intangible assets consisted of the following at:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| License (1) | $1,482,492 | $1,570,274 |
| Goodwill (2) | - | 23,623 |
| Land use rights (3) | 1,512,027 | 1,593,403 |
| Software (4) | - | 477,302 |
| Total other intangible assets | 2,994,519 | 3,664,602 |
| Less: accumulated amortization (4) | (65,740 ) | (522,599 ) |
| Intangible assets, net | $2,928,779 | $3,142,003 |

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Amortization expense of intangible assets for the years ended March 31, 2016 and 2015 amounted to $30,342 and $31,975, respectively.

(1) This represents the fair value of the licenses of insurance applicable drugstores acquired from Sanhao Pharmacy. The licenses allow patients to pay by insurance cards at stores and the stores can get reimbursed from the Human Resource and Social Security Department of Hangzhou City.

(2) This represents goodwill on acquisition of Sanhao Pharmacy, which was dissolved after transferring almost all of its licensed stores into Jiuzhou Pharmacy in November 2015.

(3) In July 2013, the Company purchased the land use right of a plot of farmland in Lin'an, Hangzhou, intended for the establishment of an herb processing plant in the future. However, as our farming business in Lin'an has not grown, the Company does not expect completion of the plant in near future.

(4) In 2010, in association with the acquisition of Quannuo Technology, the Company recognized the payment amount in excess of Qaunnuo Technology's net assets as a software value, which has been amortized over 5 years since the acquisition. As Quannuo Technology was sold in November 2015, both the original value and accumulated amortization value were written off.

**Note 14 – SHORT-TERM BANK LOAN**

As of March 31, 2016, our short-term loan consisted of a loan of $31,011 (RMB200,000) from Industrial and Commercial Bank of China, due on April 12, 2016 with annual interest of 5.885%. This loan is guaranteed by Jiuzhou Pharmacy and its major shareholders.

**Note 15 – NOTES PAYABLE**

The Company has credit facilities with Hangzhou United Bank ("HUB"), Bank of Hangzhou ("BOH") and Industrial and Commercial Bank of China ("ICBC") that provided working capital in the form of the following bank acceptance notes at March 31, 2016 and March 31, 2015:

| Beneficiary | Endorser | Origination date | Maturity date | March 31, 2016 | March 31, 2015 |
|---|---|---|---|---|---|
| Jiuzhou Pharmacy(1) | HUB | 08/05/14 | 08/04/15 | - | 1,634,000 |
| Jiuzhou Pharmacy(1) | HUB | 10/09/14 | 04/09/15 | - | 784,320 |

| | | | | | |
|---|---|---|---|---|---|
| Jiuzhou Pharmacy(1) | HUB | 10/09/14 | 04/09/15 | - | 1,187,918 |
| Jiuzhou Pharmacy(1) | HUB | 12/05/14 | 06/05/15 | - | 1,329,651 |
| Jiuzhou Pharmacy(1) | HUB | 12/26/14 | 06/26/15 | - | 1,601,320 |
| Jiuzhou Pharmacy(1) | HUB | 03/04/15 | 09/04/15 | - | 1,470,600 |
| Jiuzhou Pharmacy(1) | HUB | 03/13/14 | 09/13/15 | - | 604,580 |
| Jiuzhou Pharmacy(2) | BOH | 11/06/14 | 05/06/15 | - | 2,908,520 |
| Jiuzhou Pharmacy(2) | BOH | 02/09/15 | 08/09/15 | - | 1,993,480 |
| Jiuzhou Pharmacy(3) | ICBC | 12/26/14 | 06/25/15 | - | 2,238,580 |
| Jiuzhou Pharmacy(1) | HUB | 04/22/15 | 04/21/16 | 1,550,550 | - |
| Jiuzhou Pharmacy(1) | HUB | 04/29/15 | 04/28/16 | 3,333,683 | - |
| Jiuzhou Pharmacy(1) | HUB | 10/09/15 | 04/09/16 | 1,708,706 | - |
| Jiuzhou Pharmacy(1) | HUB | 11/02/15 | 05/02/16 | 2,553,756 | - |
| Jiuzhou Pharmacy(2) | BOH | 11/27/15 | 05/27/16 | 1,592,415 | - |
| Jiuzhou Pharmacy(1) | HUB | 12/28/15 | 06/28/16 | 2,741,372 | - |
| Jiuzhou Pharmacy(1) | HUB | 12/29/15 | 06/29/16 | 58,913 | - |
| Jiuzhou Pharmacy(1) | HUB | 03/07/16 | 09/07/16 | 2,749,125 | - |
| Jiuzhou Pharmacy(3) | ICBC | 02/03/16 | 08/03/16 | 1,307,114 | - |
| Total | | | | $17,595,634 | $15,752,969 |

(1) As of March 31, 2016, the Company had $14,696,105 (RMB94,779,950) of notes payable from HUB. The Company is required to hold restricted cash of $11,278,693 (RMB72,739,950) with HUB as collateral against these bank notes. As of March 31, 2015, the Company had $15,486,133 (RMB100,494,050) of notes payable from HUB. The Company is required to hold restricted cash of $12,219,213 (RMB79,294,050) with HUB as collateral against these bank notes.

(2) As of March 31, 2016, the Company had $1,592,415 (RMB10,270,000) of notes payable from BOH. The land use right of the farmland in Lin’An, Hangzhou is pledged as collateral for these bank acceptance notes (see Note 12). The Company is required to hold restricted cash of $480,671 (RMB3,100,000) with BOH as collateral against these bank notes. As of March 31, 2015, the Company had $1,582,607 (RMB 10,270,000) of notes payable from BOH. The land use right of the farmland in Lin’An, Hangzhou is pledged as collateral for these bank acceptance notes (see Note 11). The Company is required to hold restricted cash of $477,710 (RMB 3,100,000) with BOH as collateral for these bank notes.

(3) As of March 31, 2016, the Company had $1,307,114 (RMB8,430,000) of notes payable from ICBC, with restricted cash of $928,051(RMB5,985,300) held at the bank. As of March 31, 2015, the Company had $0 of notes payable from ICBC, with restricted cash of $0 held at the bank.

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As of March 31, 2016, the Company had a credit line of approximately $9.24 million in the aggregate from HUB, BOH and ICBC. By putting up the restricted cash of $12.69 million deposited in the banks, the total credit line was $21.93 million. As of March 31, 2015, the Company had approximately $17.07 million of bank notes payable and approximately $5.20 million bank credit line was still available for further borrowing. The bank notes are also secured by buildings owned by the Company's major shareholders, land use rights of Jiutong Medical, shops of Jiuzhou Pharmacy, and guaranteed by Jiuxin Medical.

**Note 16 – TAXES**

Income tax

For the years ended March 31, 2016 and 2015, the income tax provisions were as follow:

| | For the year ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Income tax | $96,741 | $57,398 |

The Company is subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which each entity is domiciled.

| Entity | Income Tax Jurisdiction |
|---|---|
| Jo-Jo Drugstores | United States |
| Renovation | Hong Kong, PRC |
| All other entities | Mainland, PRC |

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The following table reconciles the U.S. statutory tax rates with the Company's effective tax rate for the year ended March 31, 2016 and 2015:

| | For the year ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| U.S. Statutory rates | 34.0 % | 34.0 % |
| Foreign income not recognized in the U.S. | (34.0) | (34.0) |
| China income taxes | 25.0 | 25.0 |
| Change in valuation allowance (1) | (25.0) | (25.8) |
| Non-deductible expenses-permanent difference (2) | 61.6 | 7.1 |
| Effective tax rate | 61.6 % | 6.3 % |

(1) It represents non-taxable expense reversal due to overall decrease in allowance for accounts receivables and advance to suppliers.

(2) The 61.6% and 7.1% rate adjustments for the years ended March 31, 2016 and 2015, represent expenses primarily included stock option expense, legal, accounting and other expenses incurred by the Company that were not deductible for PRC income tax.

Jo-Jo Drugstores is incorporated in the U.S. and incurred a net operating loss for income tax purposes for the year ended March 31, 2016 and 2015. As of March 31, 2016, the estimated net operating loss carry forwards for U.S. income tax purposes amounted to $1,503,000 which may be available to reduce future years' taxable income. These carry forwards will expire, if not utilized by 2032. Management believes that the realization of the benefits arising from this loss appears to be uncertain due to the Company's limited operating history and continuing losses for U.S. income tax purposes. Accordingly, the Company has provided a 100% valuation allowance at March 31, 2015. There was no net change in the valuation allowance for the year ended March 31, 2016 and 2015. Management reviews this valuation allowance periodically and makes adjustments as necessary.

Taxes payable at March 31, 2016 and March 31, 2015 consisted of the following:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| VAT | $422,804 | $301,149 |
| Income tax | 7,454 | 8,007 |
| Others | 50,086 | 18,955 |

| | | |
|---|---|---|
| Total taxes payable | $483,770 | $328,111 |

The Company has adopted ASC Topic 740-10-05, “Income Taxes”. To date, the adoption of this interpretation has not impacted the Company’s financial position, results of operations, or cash flows. The Company performed self-assessment and the Company’s liability for income taxes includes the liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by taxing authorities. Audit periods remain open for review until the statute of limitations has passed, which in the PRC is usually 5 years. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Company’s liability for income taxes. Any such adjustment could be material to the Company’s results of operations for any given quarterly or annual period based, in part, upon the results of operations for the given period. As of March 31, 2016 and March 31, 2015, management considered that the Company had no uncertain tax positions affecting its consolidated financial position and results of operations or cash flows, and will continue to evaluate for any uncertain position in future. There are no estimated interest costs and penalties provided in the Company’s consolidated financial statements for the year ended March 31, 2016 and 2015, respectively. The Company’s tax positions related to open tax years are subject to examination by the relevant tax authorities and the major one is the China Tax Authority.

**Note 17 – POSTRETIREMENT BENEFITS**

Regulations in the PRC require the Company to contribute to a defined contribution retirement plan for all permanent employees. The contribution for each employee is based on a percentage of the employee’s current compensation as required by the local government. The Company contributed $982,083 and $849,689 in employment benefits and pension for the years ended March 31, 2016 and 2015, respectively.

**Note 18 – RELATED PARTY TRANSACTIONS AND ARRANGEMENTS**

Amounts payable to related parties are summarized as follows:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Due to cofounders (1): | $576,818 | $576,818 |
| Due to a director and CEO (2): | 1,622,957 | 2,152,922 |
| Total | $2,199,775 | $2,729,740 |

(1) As of March 31, 2016 and March 31, 2015, amount due to cofounders represents contributions from the owners to Jiuxin Management to enable Jiuxin Management to meet its approved PRC registered capital requirements.

(2) Due to foreign exchange restrictions, the Company's director and CEO, Mr. Lei Liu personally lent U.S. dollars to the Company to facilitate its payments of expenses in the United States.

As of March 31, 2016 and March 31, 2015, notes payable totaling $5,302,881 and $5,790,471 were secured by the personal properties of certain of the Company's shareholders, respectively.

The Company leases from Mr. Lei Liu a retail space. The lease will expire in September 2016. Rent expense amounted to $56,941 and $97,500 for the years ended March 31, 2016 and 2015, respectively. The rent for the year ended March 31, 2016 has not been paid to Mr. Liu as of March 31, 2016.

**Note 19 – WARRANTS LIABILITY**

On September 26, 2013, as compensation for its financial advisory service, the Company issued a warrant to a financial consulting firm to purchase up to 150,000 shares of common stock at $1.20 per share. The warrant is exercisable from September 26, 2013 to September 25, 2016.

The warrant does not trade in an active securities market, and as such, the Company estimates its fair value using the Black-Scholes Model on the date that the warrant was originally issued and as of March 31, 2016 using the following assumptions:

| | Common Stock Warrants March 31, 2016 (1) | |
|---|---|---|
| Stock price | $ 1.60 | |
| Exercise price | $ 1.20 | |
| Annual dividend yield | 0 | % |
| Expected term (years) | 0.49 | |
| Risk-free interest rate | 0.39 | % |
| Expected volatility | 68.36 | % |

(1) As of March 31, 2016, the warrant had not been exercised.

On September 26, 2013, the issue date of the warrant, the Company classified its fair value as a liability of $33,606. The Company recognized a gain of $225,330 from the change in fair value of the warrants liability for the year ended March 31, 2015. As a result, the warrants liability is carried on the consolidated balance sheets at the fair value of $89,997 and $315,327 as of March 31, 2016 and 2015, respectively.

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**Note 19 – WARRANTS LIABILITY (CONTINUED)**

In connection with the registered direct offering closed on July 19, 2015, the Company issued to an investor warrants to purchase up to 600,000 shares of common stock at an exercise price of $3.10 per share. The options are exercisable commencing on January 19, 2016 and will expire on January 18, 2021. In connection with the offering, the Company also issued warrants to its placement agent of this offering, which can purchase an aggregate of up to 6% of the aggregate number of shares of common stock sold in the offering, i.e. 72,000 shares. These warrants have the same terms as the warrants issued to purchaser in the offering.

The fair value of the warrants issued was estimated by using the binominal pricing model with the following assumptions:

| | | |
|---|---|---|
| Terms of warrants | 5 years | |
| Expected volatility | 105.05 | % |
| Risk-free interest rate | 1.72 | % |
| Expected dividend yield | - | % |

The fair value of the warrants on the date of issuance, $933,172 was initially classified as equity. Upon further evaluation in the fourth quarter of fiscal year 2016, the Company determined that the warrants met the definition of a derivative under ASC 815 as the Company cannot avoid net cash settlement under certain circumstances. Accordingly, the warrants were reclassified as a liability in the fourth quarter and a gain was recognized for the change in fair value from the date of issuance to year-end. The reclassification and change in fair value did not have a material impact on prior quarters. For the year ended March 31, 2016, the Company recognized a gain of $327,429 and $59,439 for the investor warrants and placement agent warrants, respectively, from the change in fair value of the warrants liability. As a result, the warrants liability is carried on the consolidated balance sheets at the fair value of $458,015 and $88,289 for the investor warrants and placement agent warrants, respectively, as of March 31, 2016.

**Note 20 – STOCKHOLDERS' EQUITY**

Common Stock

On July 24, 2015, the Company closed a registered direct offering of 1.2 million shares of common stock at $2.50 per share with gross proceeds of approximately $3 million from its effective shelf registration statement on Form S-3.

Stock-based compensation

The Company accounts for share-based payment awards granted to employees and directors by recording compensation expense based on estimated fair values. The Company estimates the fair value of share-based payment awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's consolidated statements of operations. Share-based awards are attributed to expense using the straight-line method over the vesting period. The Company determines the value of each option award that contains a market condition using a Monte Carlo Simulation valuation model, while all other option awards are valued using the Black-Scholes valuation model as permitted under ASC 718 *Compensation - Stock Compensation*. The assumptions used in calculating the fair value of share-based payment awards represent the Company's best estimates. The Company's estimates of the fair values of stock options granted and the resulting amounts of share-based compensation recognized may be impacted by certain variables including stock price volatility, employee stock option exercise behaviors, additional stock option modifications, estimates of forfeitures, and the related income tax impact.

On November 25, 2015, the Company agreed to grant a total of 150,000 shares of restricted common stock to a financial consulting firm for its financial advisory services. The term of the service agreement is one year. The trading value of the Company's common stock on November 25, 2015 was $1.77. For the year ended March 31, 2016, $91,652 was recorded as a consulting expense.

On November 27, 2015, the Company granted a total of 735,000 shares of restricted common stock to its directors, officers and certain employees under the Company's 2010 Equity Incentive Plan, as amended (the "Plan"). The trading value of the Company's common stock on November 27, 2015 was $1.76. For the year ended March 31, 2016, $453,646 was recorded as service compensation expense.

Stock option

On November 18, 2014, the Company granted a total of 967,000 shares of stock options under the Plan to a group of a total of 46 grantees including directors, officers and employees. The exercise price of the stock option is $2.50. The option vests in three years on November 18, 2017, provided that the grantees are still employed by the Company on such a date. The options will be exercisable for five years from the vesting date, or November 18, 2017 until November 17, 2022. For the year ended March 31, 2016 and March 31, 2015, $496,133 and $182,482 was recorded as compensation expense. As of March 31, 2016, there was approximately $0.81 million of total unrecognized compensation costs related to stock option compensation arrangements granted which is expected to be recognized over the remaining weighted-average period of 1.65 years.

Statutory reserves

Statutory reserves represent restricted retained earnings. Based on their legal formation, the Company is required to set aside 10% of its net income as reported in their statutory accounts on an annual basis to the Statutory Surplus Reserve Fund (the “Reserve Fund”). Once the total amount set aside in the Reserve Fund reaches 50% of the entity’s registered capital, further appropriations become discretionary. The Reserve Fund can be used to increase the entity’s registered capital upon approval by relevant government authorities or eliminate its future losses under China’s Accounting Standards for Business Enterprises ("ASBEs") upon a resolution by its board of directors. The Reserve Fund is not distributable to shareholders, as cash dividend or otherwise, except in the event of liquidation.

Appropriations to the Reserve Fund are accounted for as a transfer from unrestricted earnings to statutory reserves. During the years ended March 31, 2016 and 2015, the Company did not make appropriations to the statutory reserves.

There are no legal requirements in the PRC to fund the Reserve Fund by transfer of cash to any restricted accounts, and the Company does not do so.

**Note 21 – EARNINGS PER SHARE**

The Company reports earnings per share in accordance with the provisions of the FASB’s related accounting standard. This standard requires presentation of basic and diluted earnings per share in conjunction with the disclosure of the methodology used in computing such earnings per share. Basic earnings per share excludes dilution, but includes vested restricted stocks and is computed by dividing income available to common stockholders by the weighted average common shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock.

The following is a reconciliation of the basic and diluted earnings per share computation:

| | Years ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Net earnings attributable to controlling interest | $447,156 | $856,557 |
| Weighted average shares used in basic computation | 16,776,529 | 14,960,522 |

| | | |
|---|---|---|
| Diluted effect of stock options and warrants | 55,759 | 195,901 |
| Weighted average shares used in diluted computation | 16,832,288 | 15,156,423 |
| Earnings (loss) per share – Basic: | | |
| Net earnings (loss) before non-controlling interest | $0.03 | $0.06 |
| Add: Net loss attributable to non-controlling interest | $- | $- |
| Net loss attributable to controlling interest | $0.03 | $0.06 |
| Earnings (loss) per share – Diluted: | | |
| Net earnings (loss) before non-controlling interest | $0.03 | $0.06 |
| Add: Net loss attributable to non-controlling interest | $- | $- |
| Net loss attributable to controlling interest | $0.03 | $0.06 |

For the year ended March 31, 2016, the 967,000 shares underlying employee stocks options and 600,000 shares underlying outstanding purchase options to an investor, and 72,000 shares underlying outstanding purchase option to an investment placement agent were excluded from the calculation of diluted loss per share as the options were anti-dilutive. For the year ended March 31, 2015, only 105,000 underlying outstanding purchase options of Madison Williams and Company and Rodman & Renshaw, LLC, which has expired on October 22, 2015, were excluded from the calculation of diluted earnings per share as the options were anti-dilutive.

**Note 22 – SEGMENTS**

The Company operates within four main reportable segments: retail drugstores, online pharmacy, drug wholesale and herb farming. The retail drugstores segment sells prescription and over-the-counter (“OTC”) medicines, TCM, dietary supplement, medical devices, and sundry items to retail customers. Online pharmacy sells OTC drugs, dietary supplement, medical devices and sundry items to customers through Alibaba’s Tmall and its own platform all over China. The drug wholesale segment includes supplying the Company’s own retail drugstores with prescription and OTC medicines, TCM, dietary supplement, medical devices and sundry items (which sales have been eliminated as intercompany transactions), and also selling them to other drug vendors and hospitals. The Company’s herb farming segment cultivates selected herbs for sales to other drug vendors. The Company is also involved in online sales and clinic services that do not meet the quantitative thresholds for reportable segments and are included in the retail drugstores segment.

The segments' accounting policies are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on profit or loss from operations before interest and income taxes not including nonrecurring gains and losses.

The Company's reportable business segments are strategic business units that offer different products and services. Each segment is managed separately because they require different operations and markets to distinct classes of customers.

The following table presents summarized information by segment of the continuing operations for the year ended March 31, 2016:

| | Retail drugstores | Online pharmacy | Drug wholesale | Herb farming | Total |
|---|---|---|---|---|---|
| Revenue | $51,205,644 | $26,449,981 | $11,409,955 | $- | $89,065,580 |
| Cost of goods | 38,332,672 | 23,369,027 | 10,852,299 | - | 71,553,998 |
| Gross profit | $12,872,972 | $4,080,954 | $557,656 | $- | $17,511,582 |
| Selling expenses | 10,867,748 | 1,075,060 | 418,064 | - | 12,360,872 |
| General and administrative expenses | 4,777,889 | 666,314 | 312,188 * | (580,915) | 5,175,476 |
| Profit (loss) from operations | $(2,772,665) | $2,339,580 | $(172,596) | $580,915 | $(24,766) |
| Depreciation and amortization | $57,162 | $- | $521,014 | $235,497 | $813,673 |
| Total capital expenditures | $259,407 | $(174,466) | $(8,930) | $- | $76,011 |

* include the accounts receivable and advance to suppliers allowance reversal of $1,891,546.

The following table presents summarized information by segment of the continuing operations for the year ended March 31, 2015:

| | Retail drugstores | Online pharmacy | Drug wholesale | Herb farming | Total |
|---|---|---|---|---|---|
| Revenue | $48,799,736 | $14,879,397 | $13,216,599 | $- | $76,895,732 |
| Cost of goods | 39,278,615 | 12,781,734 | 12,397,358 | - | 64,457,707 |
| Gross profit | $9,521,121 | $2,097,663 | $819,241 | $- | $12,438,025 |
| Selling expenses | 9,364,232 | 589,920 | 462,299 | - | 10,416,451 |
| General and administrative expenses | 5,460,827 | 674,470 | (5,881,032)* | 59,125 | 313,390 |
| Profit (loss) from operations | $(5,303,938) | $833,273 | $6,237,974 | $(59,125) | $1,708,184 |
| Depreciation and amortization | $1,847,415 | $4,812 | $645,669 | $322,593 | $2,820,489 |
| Total capital expenditures | $1,378,362 | $17,219 | $77,550 | $- | $1,473,131 |

* include the accounts receivable and advance to suppliers allowance reversal of $7,535,180.

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The Company does not have long-lived assets located outside the PRC. In accordance with the enterprise-wide disclosure requirements of FASB's accounting standard, the Company's net revenue from external customers through its retail drugstores by main product categories for the years ended March 31, 2016 and 2015 were as follows:

| | Years ended March 31, 2016 | 2015 |
|---|---|---|
| Prescription drugs | $18,075,692 | $17,932,423 |
| OTC drugs | 21,541,603 | 20,087,425 |
| Nutritional supplements | 4,482,630 | 5,033,819 |
| TCM | 4,430,975 | 3,316,067 |
| Sundry products | 1,072,172 | 1,032,800 |
| Medical devices | 1,602,572 | 1,397,202 |
| Total | $51,205,644 | $48,799,736 |

The Company's net revenues from external customers through its online pharmacy by main product categories for the years ended March 31, 2016 and 2015 were as follows:

| | Years ended March 31, 2016 | 2015 |
|---|---|---|
| Prescription drugs | $- | $- |
| OTC drugs | 7,351,947 | 4,551,354 |
| Nutritional supplements | 2,230,737 | 1,610,375 |
| TCM | - | - |
| Sundry products | 8,656,466 | 1,827,669 |
| Medical devices | 8,210,832 | 6,889,999 |
| Total | $26,449,981 | $14,879,397 |

The Company's net revenues from external customers through its wholesale business by main product categories for the years ended March 31, 2016 and 2015 were as follows:

| | Years ended March 31, 2016 | 2015 |
|---|---|---|
| Prescription drugs | $7,332,257 | $7,777,525 |
| OTC drugs | 3,758,094 | 5,094,150 |
| Nutritional supplements | 139,184 | 98,444 |
| TCM | - | 155,151 |

| | | |
|---|---|---|
| Sundry products | 121,703 | 72,357 |
| Medical devices | 58,717 | 18,972 |
| Total | $11,409,955 | $13,216,599 |

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**Note 23 – COMMITMENTS AND CONTINGENCIES**

Operating lease commitments

The Company recognizes lease expense on a straight line basis over the term of its leases in accordance with the relevant accounting standards. The Company has entered into various tenancy agreements for its store premises and for the land leased from a local government to farm herbs.

The Company's commitments for minimum rental payments under its leases for the next five years and thereafter are as follows:

| Periods ending March 31, | Retail drugstores | Online pharmacy | Drug wholesale | Herb farming | Total Amount |
|---|---|---|---|---|---|
| 2017 | $2,667,827 | $94,555 | $69,341 | $ - | $2,831,723 |
| 2018 | 2,323,653 | 88,070 | 67,404 | - | 2,479,127 |
| 2019 | 1,990,774 | 55,645 | 67,404 | - | 2,113,823 |
| 2020 | 1,336,089 | 55,043 | 67,404 | - | 1,458,536 |
| 2021 | 524,704 | 55,043 | 16,851 | - | 596,598 |
| Thereafter | 181,981 | - | - | - | 181,981 |
| Total | $9,025,028 | $348,356 | $288,404 | $ - | $9,661,788 |

Total rent expense amounted to $4,131,995 and $4,480,869 for years ended March 31, 2016 and 2015, respectively.

**Note 24 – SUBSEQUENT EVENTS**

In May and June 2016, three new drugstores were opened in Hangzhou under Jiuzhou Pharmacy. The addition of new stores reflects the Company's continuous expansion strategy and efforts to become a larger player in the market.

On June 3, 2016, the Company granted a total of 1,630,000 shares of restricted common stock to its key employees in retail drugstores and online pharmacy under the Company's 2010 Equity Incentive Plan, as amended.

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