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

FORM 10-Q

(MARK ONE)

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

For the quarter ended September 30, 2017

- 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: 001-38013

iFresh Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

82-066764

(I.R.S. Employer
Identification No.)

**2-39 54th Avenue
Long Island City, New York**

(Address of principal executive offices)

(718) 628 6200

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of November 14, 2017, 14,173,033 shares of the registrant's Common Stock, par value \$0.0001 per share, were issued and outstanding.

iFRESH, INC.

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2017

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iFRESH INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	<u>September 30,</u> <u>2017</u>	<u>March 31,</u> <u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,016,352	\$ 2,508,362
Accounts receivable, net	3,345,880	2,272,011
Inventories, net	11,322,782	9,796,984
Prepaid expenses and other current assets	1,874,874	981,017
Advances to related parties	<u>16,665,703</u>	<u>14,852,083</u>
Total current assets	34,225,591	30,410,457
Property and equipment, net	10,008,894	9,290,674
Intangible assets, net	1,233,335	1,300,001
Security deposits	1,089,777	912,346
Deferred income taxes	350,373	86,799
Total assets	<u>\$ 46,907,970</u>	<u>\$42,000,277</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 14,101,997	12,364,071
Deferred revenue	201,470	206,737
Borrowings against term loan -current, net	1,167,764	1,144,568
Notes payable, current	241,434	262,578
Capital lease obligations, current	48,581	51,376
Accrued expenses	802,993	730,392
Taxes payable	1,507,106	1,769,398
Other payables, current	<u>481,653</u>	<u>501,213</u>
Total current liabilities	18,552,998	17,030,333
Borrowings against lines of credit & term loan-non-current, net	15,745,693	12,779,838
Notes payable, non-current	380,784	379,376
Capital lease obligations, non-current	82,013	59,907
Deferred rent	5,893,684	5,424,134
Other payables, non-current	67,800	34,800
Total liabilities	<u>40,722,972</u>	<u>35,708,388</u>
Commitments and contingencies		
Shareholders' equity		
Preferred shares, \$.0001 par value, 1,000,000 shares authorized; none issued.	-	-
Common stock, \$.0001 par value; 100,000,000 shares authorized, 14,173,033 and 14,103,033 shares issued and outstanding as of September 30, 2017 and March 31, 2017, respectively	1,417	1,410
Additional paid-in capital	9,211,426	9,075,025
Accumulated deficit	<u>(3,027,845)</u>	<u>(2,784,546)</u>
Total shareholders' equity	6,184,998	6,291,889
Total liabilities and shareholders' equity	<u>\$ 46,907,970</u>	<u>42,000,277</u>

See accompanying notes to the unaudited condensed consolidated financial statements

iFRESH INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the three months ended		For the six months ended	
	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016
Net sales	\$ 30,764,800	\$ 29,862,331	\$ 60,892,655	\$ 58,547,631
Net sales-related parties	2,575,092	2,024,569	4,975,763	3,629,161
Total net sales	33,339,892	31,886,900	65,868,418	62,176,792
Cost of sales	22,765,456	22,376,055	44,468,196	43,154,963
Cost of sales-related parties	1,960,566	1,354,187	3,952,496	2,685,579
Occupancy costs	1,893,762	1,765,386	3,836,604	3,605,453
Gross profit	6,720,108	6,391,272	13,611,122	12,730,797
Selling, general and administrative expenses	7,476,204	6,130,117	14,961,027	12,356,026
Income (Loss) from operations	(756,096)	261,155	(1,349,905)	374,771
Interest expense, net	(208,844)	(46,718)	(376,383)	(90,292)
Other income	1,017,510	263,203	1,219,415	508,441
Income(Loss) before income taxes	52,570	477,640	(506,873)	792,920
Income tax provision (benefit)	27,336	219,279	(263,574)	356,814
Net income (Loss)	\$ 25,234	\$ 258,361	\$ (243,299)	\$ 436,106
Net income (loss) per share:				
Basic	\$ 0.002	\$ 0.02	\$ (0.02)	\$ 0.04
Diluted	\$ 0.002	\$ 0.02	\$ (0.02)	\$ 0.04
Weighted average shares outstanding:				
Basic	14,166,440	12,000,000	14,141,549	12,000,000
Diluted	14,166,440	12,000,000	14,141,549	12,000,000

See accompanying notes to the unaudited condensed consolidated financial statements

iFRESH INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Six months ended	
	September 30,	September 30,
	2017	2016
Cash flows from operating activities		
Net income (loss)	\$ (243,299)	\$ 436,106
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation expense	832,667	778,508
Amortization expense	157,916	66,666
Share based compensation	267,400	-
Inventory provision	-	14,339
Deferred income tax expense (benefit)	(263,574)	130,396
Changes in operating assets and liabilities:		
Accounts receivable	(1,073,869)	(170,849)
Inventories	(1,525,798)	(546,362)
Prepaid expenses and other current assets	(893,856)	(103,643)
Security deposits	(98,013)	168,695
Accounts payable	1,737,926	1,809,871
Deferred revenue	(5,268)	66,424
Accrued expenses	72,601	24,108
Taxes payable	(262,292)	(93,126)
Deferred rent	290,653	296,116
Other liabilities	13,439	40,199
Net cash provided by (used in) operating activities	<u>(993,367)</u>	<u>2,917,448</u>
Cash flows from investing activities		
Advances made to related parties	(1,943,197)	(2,445,980)
Acquisition of property and equipment	(1,241,261)	(607,533)
Cash proceeds received from acquisition of Glen Cove	5,631	-
Net cash used in investing activities	<u>(3,178,827)</u>	<u>(3,053,513)</u>
Cash flows from financing activities		
Proceeds from borrowings against lines of credit	2,500,000	200,000
Proceeds from borrowings against term loan	1,050,000	-
Repayments on lines of credit borrowings	(652,199)	(82,000)
Proceeds from borrowings on notes payable	-	288,129
Repayments on notes payable	(187,401)	(116,857)
Payments on capital lease obligations	(30,216)	(26,345)
Net cash provided by financing activities	<u>2,680,184</u>	<u>262,927</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,492,010)</u>	<u>126,862</u>
Cash and cash equivalents at beginning of the period	2,508,362	551,782
Cash and cash equivalents at the end of the period	<u>\$ 1,016,352</u>	<u>\$ 678,644</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 327,900</u>	<u>\$ 90,649</u>
Cash paid for income taxes	<u>\$ 296,067</u>	<u>\$ 592,325</u>
Supplemental disclosure of non-cash investing and financing activities		
Capital expenditures funded by capital lease obligations and notes payable	<u>\$ 217,193</u>	<u>\$ 288,129</u>
Stock issued for Glen Cove Acquisition	<u>\$ 645,500</u>	<u>\$ -</u>

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

iFRESH INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Description of Business

Organization and General

iFresh Inc. (“iFresh”) is a Delaware company incorporated in July 2016 in order to reincorporate E-Compass Acquisition Corp. (“E-Compass”) to Delaware pursuant to the Merger Agreement (as defined below under “Redomestication”). E-Compass was incorporated in Cayman Islands on September 23, 2014 as a blank check company whose objective is to enter into a merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities, or entering into contractual arrangements that gives E-Compass control over such a target business (a “Business Combination”).

Redomestication

On July 25, 2016, iFresh entered into the Merger Agreement with E-Compass, iFresh Merger Sub Inc. (“Merger Sub”), a Delaware corporation and wholly owned subsidiary of iFresh, and NYM Holding, Inc. (“NYM”), the stockholders of NYM, and Long Deng, as representative of the stockholders of NYM. Pursuant to the terms of the Merger Agreement, on February 10, 2017, E-Compass would merge with and into iFresh in order to redomesticate E-Compass into Delaware (the “Redomestication Merger”). At the time of the Redomestication, each E-Compass ordinary share was converted into one share of common stock of iFresh and each E-Compass Right was converted into one substantially equivalent right (“iFresh Right”) to receive one-tenth (1/10) of a share of iFresh common stock on the consummation of the Business Combination. In connection with the Redomestication, E-Compass ceased to exist and iFresh is the surviving corporation and successor registrant that will continue to file reports under Section 12(b) of the Securities Exchange Act of 1934.

Business Combination

On February 10, 2017, after the Redomestication Merger, Merger Sub merged with and into NYM, resulting in NYM being a wholly owned subsidiary of iFresh (the “Merger”). The transaction constituted a business combination. iFresh closed the business combination by paying NYM’s stockholders an aggregate of: (i) \$5 million in cash, plus, (ii) 12,000,000 shares of iFresh’s common stock (the deemed value of the shares in the Merger Agreement) as consideration. At closing, iFresh also executed an option agreement to acquire up to additional four supermarkets prior to March 31, 2017 for aggregate consideration of \$10 million in cash, less any advances or receivables owed to the Company (see Note 6). The option agreement subsequently expired unexercised.

In connection with the closing, holders of 1,937,967 of the Company’s ordinary shares elected to redeem their shares and iFresh paid \$20,154,857 (\$10.40 per share in accordance with Redemption Clause) in connection with such redemption. Also on February 10, 2017, iFresh repurchased 1,500,000 of such non-redeemable shares promptly at a purchase price of \$10.00 per share according to an agreement with Handy Global Limited signed on January 11, 2017. On February 10, 2017, iFresh entered into an agreement to repurchase 200,000 shares of its common stock from Lodestar Investment Holdings Corporation for \$200.00. At the closing of the Redomestication Merger: (i) one share of iFresh common stock for each share of E-Compass common stock, resulting in 1,872,033 non-redeeming E-Compass common stock being converted into iFresh common stock; (ii) each ten E-Compass rights were converted into one share of common stock of iFresh, resulting in 4,310,010 E-Compass rights automatically converting into 431,000 shares of the iFresh’s common stock.

Prior to the closing of the Redomestication Merger and Business Combination, there were 5,310,000 E-Compass shares issued and outstanding. After the redemption of 1,937,967 shares, the repurchase of 1,700,000 shares and the conversion of 4,310,010 E-Compass rights into 431,000 shares, there were 2,103,033 shares of E-Compass’s common stock being re-domesticated into the iFresh’s common stock. With the new issuance of the 12,000,000 shares of iFresh’s common stock in connection with the Business Combination, there were a total of 14,103,033 shares of iFresh’s common stock issued and outstanding after the business combination.

The above-mentioned business combination with NYM is accounted for as a reverse acquisition at the date of the consummation of the transaction since the shareholders of NYM own at least 83.9% of the outstanding ordinary shares of iFresh immediately following the completion of the transaction. Accordingly, NYM is deemed to be the accounting acquirer in the transaction and, consequently, the transaction is treated as a recapitalization of NYM. As a result, following the Business Combination, the historical financial statements of NYM and its subsidiaries are treated as the historical financial statements of the combined company. Accordingly, the assets and liabilities and the historical operations that are reflected in the iFresh financial statements after consummation of the transaction are those of NYM and are recorded at the historical cost basis of NYM. NYM's assets, liabilities and results of operations have been consolidated with the assets, liabilities and results of operations of iFresh upon consummation of the transaction.

iFresh, NYM and its subsidiaries (herein collectively referred to as the "Company") is an Asian/Chinese supermarket chain with multiple retail locations and its own distribution operations, currently all located along the East Coast of the United States. The Company offers seafood, vegetables, meat, fruit, frozen goods, groceries, and bakery products through its retail stores.

2. Basis of Presentation and Principles of Consolidation

The Company's unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The unaudited condensed consolidated financial statements include the financial statements of iFresh, NYM and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

The unaudited interim financial information as of September 30, 2017 and for the three and six months ended September 30, 2017 and 2016 have been prepared, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures, which are normally included in annual financial statements prepared in accordance with U.S. GAAP, have been omitted pursuant to those rules and regulations. The unaudited interim condensed consolidated financial information should be read in conjunction with the audited consolidated financial statements and the notes thereto for the fiscal year ended March 31, 2017.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair presentation of the Company's financial position as of September 30, 2017, its results of operations and its cash flows for the three and six months ended September 30, 2017 and 2016, as applicable, have been made. The unaudited interim results of operations are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The Company has two reportable and operating segments. The Company's Chief Executive Officer is the Chief Operating Decision Maker ("CODM"). The CODM bears ultimate responsibility for, and is actively engaged in, the allocation of resources and the evaluation of the Company's operating and financial results.

3. Summary of Significant Accounting Policies

Significant Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and the 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 Company's critical accounting estimates included, but are not limited to: allowance for estimated uncollectible receivables, inventory valuations, lease assumptions, impairment of long-lived assets, impairment of intangible assets, and income taxes. Actual results could differ from those estimates.

Reclassification

Certain prior period amounts have been reclassified to confirm the current period presentation.

Restricted Cash

Restricted cash represents cash held by depository banks in order to comply with the provisions of certain debt agreements.

Accounts Receivable

Accounts receivables consist primarily of uncollected amounts from customer purchases (primarily from the Company's two distribution operations), credit card receivables, and food stamp vouchers and are presented net of an allowance for estimated uncollectible amounts.

The Company periodically assesses its accounts receivable for collectability on a specific identification basis. If collectability of an account becomes unlikely, an allowance is recorded for that doubtful account. Once collection efforts have been exhausted, the account receivable is written off against the allowance.

Inventories

Inventories consist of merchandise purchased for resale, which are stated at the lower of cost or market. The cost method is used for wholesale and retail perishable inventories by assigning costs to each of these items based on a first-in, first-out (FIFO) basis (net of vendor discounts).

The Company's wholesale and retail non-perishable inventory is valued at the lower of cost or market using weighted average method.

Operating Leases

The Company leases retail stores, warehouse facilities and administrative offices under operating leases. Incentives received from lessors are deferred and recorded as a reduction of rental expense over the lease term using the straight-line method. Store lease agreements generally include rent escalation provisions. The Company recognizes escalations of minimum rents as deferred rent and amortizes these balances on a straight-line basis over the term of the lease.

Capital Lease Obligations

The Company has recorded capital lease obligations for equipment leases at both September 30, 2017 and March 31, 2017. In each case, the Company was deemed to be the owner under lease accounting guidance. Further, each lease contains provisions indicating continuing involvement with the equipment at the end of the lease period. As a result, in accordance with applicable accounting guidance, related assets subject to the leases are reflected on the Company's consolidated balance sheets and amortized over the lesser of the lease term or their remaining useful lives. The present value of the lease payments associated with the equipment is recorded as capital lease obligations.

Deferred financing costs

The Company presents deferred financing costs as a reduction of the carrying amount of the debt rather than as an asset. Deferred financing costs are amortized over the term of the related debt using the effective interest method and reported as interest expense in the consolidated financial statements.

Fair Value Measurements

The Company records its financial assets and liabilities in accordance with the framework for measuring fair value in accordance with U.S GAAP. This framework establishes a fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Fair value measurements of nonfinancial assets and nonfinancial liabilities are primarily used in the impairment analysis of intangible assets and long-lived assets.

Cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses and other current assets, advances to related parties, accounts payable, deferred revenue and accrued expenses approximate fair value because of the short maturity of those instruments. Based on comparable open market transactions, the fair value of the lines of credit and other liabilities, including current maturities, approximated their carrying value as of September 30, 2017 and March 31, 2017, respectively. The Company's estimates of the fair value of line of credit and other liabilities (including current maturities) were classified as Level 2 in the fair value hierarchy.

Revenue Recognition

For retail sales, revenue is recognized at the point of sale. Discounts provided to customers at the time of sale are recognized as a reduction in sales as the discounted products are sold. Sales taxes are not included in revenue. Proceeds from the sale of coupons are recorded as a liability at the time of sale, and recognized as sales when they are redeemed by customers. For wholesales sales, revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, the Company has no other obligations and collectability is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are recorded as customer deposits.

Recently Issued Accounting Pronouncements

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business". The amendments in this ASU clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Basically these amendments provide a screen to determine when a set is not a business. If the screen is not met, the amendments in this ASU first, require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and second, remove the evaluation of whether a market participant could replace missing elements. These amendments take effect for public businesses for fiscal years beginning after December 15, 2017 and interim periods within those periods, and all other entities should apply these amendments for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Company does not expect the adoption of this guidance will have a material impact on its unaudited condensed consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05 ("ASU 2017-05") to provide guidance for recognizing gains and losses from the transfer of nonfinancial assets and in-substance nonfinancial assets in contracts with non-customers, unless other specific guidance applies. The standard requires a company to derecognize nonfinancial assets once it transfers control of a distinct nonfinancial asset or distinct in substance nonfinancial asset. Additionally, when a company transfers its controlling interest in a nonfinancial asset, but retains a noncontrolling ownership interest, the company is required to measure any noncontrolling interest it receives or retains at fair value. The guidance requires companies to recognize a full gain or loss on the transaction. ASU 2017-05 is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The effective date of this guidance coincides with revenue recognition guidance. The Company does not expect that the adoption of this guidance will have a material impact on its unaudited condensed consolidated financial statements.

No other new accounting pronouncements issued or effective had, or are expected to have, a material impact on the Company's consolidated financial statements.

4. Acquisitions

iFresh Glen Cove Acquisition

On July 13, 2017, the Company acquired from Long Deng, the Company's largest shareholder, 100% of the ownership interests of iFresh Glen Cove Inc. ("Glen Cove"). Glen Cove is a 22,859 square-foot brand new grocery store being set up in Garden City, New York located at 192 Glen Cove Road, within the Roosevelt Field Mall business district. Subsequent to the closing of the Glen Cove Acquisition, Glen Cove became a wholly owned subsidiary of iFresh.

The Company issued 50,000 shares of its common stock to Long Deng for the acquisition of Glen Cove. The Company accounted for this acquisition as a business combination under ASC 805-50-30 whereby we recognize assets acquired and liabilities assumed in an acquisition at their historical costs as of the date of acquisition, since the acquisition took place between entities under common control.

The total purchase consideration and the costs of the assets and liabilities at the acquisition date were as follows:

	Fair value allocation
Fair value of stock issued	645,500
Cash acquired	(5,631)
Advanced made to Glen Cove	139,577
Net consideration	\$ 779,446

The following table summarizes the final amounts recognized for assets acquired and liabilities assumed as of the acquisition date.

	Cost allocation
Assets acquired:	
Property and equipment	92,433
Security deposit	79,417
Due from related parties	10,000
Subtotal	\$ 181,850
Liability assumed:	
Deferred rent liability	178,897
Historical cost of net assets acquired	\$ 2,953

The difference between the net consideration paid and historical cost of net assets acquired was debited to additional paid-in capital account. The Company's unaudited condensed consolidated financial statements for the three and six months ended September 30, 2017 include the results of operations of the Glen Cove whereas the same periods in 2016 do not include the results of operations of Glen Cove. On an unaudited pro forma basis, the revenues and net income of the Company assuming the acquisition had occurred on January 1, 2016 are immaterial.

iFresh E. Colonial Asset Purchase

On July 13, 2017, the Company's wholly-owned subsidiary, iFresh E. Colonial, completed the acquisition of the Mia Supermarket in Orlando FL, a 20,370 square-foot grocery store located at 2415 E. Colonial Drive, from Michael Farmers Supermarket, LLC, including inventory, property and equipment. This acquisition expands the Company's footprint in the State of Florida and expects to increase its revenue base.

The aggregate purchase price paid for the iFresh E. Colonial acquisition was \$1,050,000. The fair value of the assets acquired approximates the consideration paid. The Company did not assume any liability. The consideration for the transaction was funded by the Company with \$1.05 million in proceeds from the delayed term loan withdrawn under Key Bank credit facility. The Company accounted for the iFresh E. Colonial acquisition as an assets acquisition under ASC 805-10-55 because the workforce retained from Mia Supermarket does not include key management members, and is not difficult to replace. Thus, the management concluded that the acquisition did not include both an input and substantive processes that together significantly contribute to the ability to create outputs.

5. Accounts Receivable

A summary of accounts receivable, net is as follows:

	September 30, 2017	March 31, 2017
Customer purchases	\$ 2,864,817	\$2,133,689
Credit card receivables	357,487	134,177
Food stamps	136,698	62,900
Others	74,883	29,250
Total accounts receivable	3,433,885	2,360,016
Allowance for bad debt	(88,005)	(88,005)
Accounts receivable, net	\$ 3,345,880	\$2,272,011

6. Inventories

A summary of inventories, net is as follows:

	September 30, 2017	March 31, 2017
Non-perishables	\$ 9,745,390	\$ 8,339,787
Perishables	1,679,405	1,535,777
Inventories	11,424,795	9,875,564
Allowance for slow moving or defective inventories	(102,013)	(78,580)
Inventories, net	\$ 11,322,782	\$ 9,796,984

7. Advances and receivables - related parties

A summary of advances and receivables - related parties is as follows:

Entities	September 30, 2017	March 31, 2017
New York Mart, Inc.	\$ 1,153,497	\$ 142,791
New York Mart N. Miami Inc.	5,711,427	6,511,427
Pacific Supermarkets Inc.	879,694	591,404
NY Mart MD Inc.	3,603,697	4,165,339
New York Mart CT Inc.	1,210,826	871,966
iFresh Harwin Inc	495,647	-
Advances - related parties	\$ 13,054,788	\$ 12,282,927
New York Mart, Inc.	723,891	476,884
Pacific Supermarkets Inc.	650,493	604,469
NY Mart MD Inc.	2,083,599	1,426,303
Ifresh Harwin Inc	96,932	-
New York Mart CT Inc.	56,000	61,500
Receivables – related parties	3,610,915	2,569,156
Total advances and receivables – related parties	\$ 16,665,703	\$ 14,852,083

The Company has advanced funds to related parties and accounts receivable due from the related parties with the intention of converting these advances and receivables into deposits towards the purchase price upon planned acquisitions of these entities, which are directly or indirectly owned, in whole or in part, by Mr. Long Deng, the majority shareholder and the Chief Executive Officer of the Company. The accounts receivable due from the related parties relate to the sales to these related parties (see Note 15). The advances and receivables are interest free, repayable on demand, and guaranteed by Mr. Long Deng. Most of these entities are newly established and have limited or no operations since their inception. As of the date of these financial statements, the Company completed the acquisition of New York Mart N. Miami Inc. and New York Mart CT Inc.

8. Property and Equipment

	September 30, 2017	March 31, 2017
Furniture, fixtures and equipment	\$ 13,265,686	\$ 12,112,418
Automobiles	2,289,510	2,226,746
Leasehold improvements	2,361,175	2,082,214
Software	6,735	6,734
Total property and equipment	17,923,106	16,428,112
Accumulated depreciation and amortization	(7,914,212)	(7,137,438)
Property and equipment, net	\$ 10,008,894	\$ 9,290,674

Depreciation expense for the six months ended September 30, 2017 and 2016 was \$832,667 and \$778,508, respectively. For the three months ended September 30, 2017 and 2016, the depreciation expense was \$429,606 and \$398,951 respectively.

9. Intangible Assets

A summary of the activities and balances of intangible assets are as follows:

	Balance at March 31, 2017	Additions	Balance at September 30, 2017
Gross Intangible Assets			
Acquired leasehold rights	\$ 2,500,000	\$ -	\$ 2,500,000
Total intangible assets	\$ 2,500,000	\$ -	\$ 2,500,000
Accumulated Amortization			
Total accumulated amortization	\$ (1,199,999)	\$ (66,666)	\$ (1,266,665)
Intangible assets, net	\$ 1,300,001	\$ (66,666)	\$ 1,233,335

Amortization expense was \$66,666 and \$66,666 for the six months ended September 30, 2017 and 2016, respectively and for the three months ended September 30, 2017 and 2016 was \$33,333 and \$33,333. Future amortization associated with the net carrying amount of definite-lived intangible assets is as follows:

Year Ending September 30,	
2018	\$ 133,333
2019	133,333
2020	133,333
2021	133,333
2022	133,333
Thereafter	566,670
Total	\$ 1,233,335

10. Debt

A summary of the Company's debt is as follows:

	September 30, 2017	March 31, 2017
Revolving Line of Credit-KeyBank National Association	\$ 2,500,000	-
Less: current portion	-	-
Borrowings against Revolving Line of Credit, non-current	<u>\$ 2,500,000</u>	<u>\$ -</u>
Delayed Term Loan-KeyBank National Association	1,032,500	-
Less: current portion	(105,000)	-
Bank Loan-Term Loan, non-current	<u>\$ 927,500</u>	<u>\$ -</u>
Term Loan-KeyBank National Association	14,156,582	14,791,281
Less: Deferred financing cost	(775,625)	(866,875)
Less: current portion	(1,062,764)	(1,144,568)
Bank Loan-Term Loan, non-current	<u>\$ 12,318,193</u>	<u>\$ 12,779,838</u>

KeyBank National Association ("KeyBank") – Senior Secured Credit Facilities

On December 23, 2016, NYM, as borrower, entered into a \$25 million senior secured Credit Agreement (the "Credit Agreement") with Key Bank National Association ("Key Bank" or "Lender"). The Credit Agreement provides for (1) a revolving credit of \$5,000,000 for making advance and issuance of letter of credit, (2) \$15,000,000 of effective date term loan and (3) \$5,000,000 of delayed draw term loan. The interest rate is equal to (1) the Lender's "prime rate" plus 0.95%, or (b) the Adjusted LIBOR rate plus 1.95%. Both the termination date of the revolving credit and the maturity date of the term loans are December 23, 2021. The Company will pay a commitment fee equal to 0.25% of the undrawn amount of the Revolving Credit Facility and 0.25% of the unused Delayed Draw Term Loan Facility. \$2,500,000 of the revolving credit was used as of September 30, 2017.

\$15,000,000 of the term loan was fully funded by the lender in January 2017. The Company is required to make fifty-nine consecutive monthly payments of principal and interest in the amount of \$142,842 starting from February 1, 2017 and a final payment of the then entire unpaid principal balance of the term loan, plus accrued interest on the maturity date. On December 23, 2016, the Company used the proceeds from the loan term to pay off the outstanding balance under the Bank of America credit line agreement and HSBC line of credit.

The Delayed Draw Term Loan shall be advanced on the Delayed Draw Funding date, which is no later than December 23, 2021. A withdrawal of \$1.05 million under the Delayed Draw Term Loan has been made as of September 30, 2017 to acquire iFresh E. Colonial, Inc.

The senior secured credit facility is secured by all assets of the Company and is jointly guaranteed by the Company and its subsidiaries and contains financial and restrictive covenants. The financial covenants require NYM to deliver audited consolidated financial statements within one hundred twenty days after the fiscal year end and to maintain a fixed charge coverage ratio not less than 1.1 to 1.0 and senior funded debt to earnings before interest, tax, depreciation and amortization ("EBITDA") ratio less than 3.0 to 1.0 at the last day of each fiscal quarter, beginning with the fiscal quarter ending March 31, 2017. Except as stated below, the senior secured credit facility is subject to customary events of default. It will be an event of default if Mr. Long Deng resigns, is terminated, or is no longer actively involved in the management of NYM and a replacement reasonably satisfactory to the Lender is not made within sixty (60) days after such event takes place.

Maturities of borrowings against the term loan under this credit facility for each of the next five years are as follows:

Year Ending September 30,	
2018	\$ 1,450,285
2019	1,487,475
2020	1,525,692
2021	1,564,966
2022	11,660,664
Total	<u>\$ 17,689,082</u>

Simultaneously, the Company entered into an escrow agreement with Camelian Bay Capital Inc. ("CBC"), a stockholder of E-Compass, and Loeb & Loeb LLP, acting as the escrow agent, pursuant to which, the Company agreed to set aside \$1,030,000 (the "Escrow Fund") from the proceeds received from the effective date term loan to pay for certain expenses associated with the Merger. As of March 31, 2017, the escrow account has been fully withdrawn for merger expense payments.

11. Notes Payable

Notes payables consist of the following:

	<u>September 30,</u> <u>2017</u>	<u>March 31,</u> <u>2017</u>
<u>Expressway Motors Inc.</u>		
Secured by vehicle, 0%, principal of \$490 due monthly through April 9, 2019	\$ 9,308	\$ 12,247
Secured by vehicle, 2.99%, principal and interest of \$593 due monthly through February 1, 2021	23,062	25,281
Secured by vehicle, 0%, principal of \$515 due monthly through April 24, 2019	11,780	11,780
<u>Southeast Toyota Finance</u>		
Secured by vehicle, 6.84%, principal and interest of \$777 due monthly through July 26, 2016	-	-
<u>Hitachi Capital America Corp.</u>		
Secured by vehicle, 6.95%, principal and interest of \$2,109 due monthly through September 18, 2019	-	57,927
Secured by vehicle, 7.35%, principal and interest of \$2,219 due monthly through November 7, 2017	2,205	17,269
Secured by vehicle, 7.10%, principal and interest of \$2,094 due monthly through March 28, 2018	12,307	24,186
Secured by vehicle, 6.99%, principal and interest of \$2,170 due monthly through March 10, 2019	36,984	48,478
<u>Triangle Auto Center, Inc.</u>		
Secured by vehicle, 4.02%, principal and interest of \$890 due monthly through January 28, 2021	33,198	37,810
<u>Colonial Buick GMC</u>		
Secured by vehicle, 8.64%, principal and interest of \$736 due monthly through February 1, 2020	19,178	22,660
<u>Milea Truck Sales of Queens Inc.</u>		
Secured by vehicle, 8.42%, principal and interest of \$4,076 due monthly through July 1, 2019	82,816	103,276
Secured by vehicle, 4.36%, principal and interest of \$1,558 due monthly through February 20, 2018	7,704	16,768
<u>Isuzu Finance of America, Inc.</u>		
Secured by vehicle, 6.99%, principal and interest of \$2,200 due monthly through October 1, 2018	27,463	39,455
<u>Koeppel Nissan, Inc.</u>		
Secured by vehicle, 3.99%, principal and interest of \$612 due monthly through January 18, 2021	22,837	25,790
Secured by vehicle, 0.9%, principal and interest of \$739 due monthly through March 14, 2020	21,916	26,310
Secured by vehicle, 7.86%, principal and interest of \$758 due monthly through September 1, 2022	35,422	39,025
<u>Lee's Autors, Inc.</u>		
Secured by vehicle, 0.9%, principal and interest of \$832 due monthly through July 22, 2017	-	3,321
<u>Silver Star Motors</u>		
Secured by vehicle, 4.22%, principal and interest of \$916 due monthly through June 1, 2021	38,829	42,684
<u>BMO</u>		
Secured by vehicle, 5.99%, principal and interest of \$1,924 due monthly through July 1, 2020	78,922	87,687
<u>Wells Fargo</u>		
Secured by vehicle, 4.01%, principal and interest of \$420 due monthly through December 1, 2021	19,655	-
<u>Toyota Finance</u>		
Secured by vehicle, 0%, principal and interest of \$632 due monthly through August, 2022	37,311	-
Secured by vehicle, 4.87%, principal and interest of \$761 due monthly through July, 2021	31,755	-
Secured by vehicle, 0%, principal and interest of \$1,265 due monthly through April 1, 2022	69,566	-
Total Notes Payable	<u>\$ 622,218</u>	<u>\$ 641,954</u>
Current maturities	<u>(241,434)</u>	<u>(262,578)</u>
Long-term debt, net of current maturities	<u>\$ 380,784</u>	<u>\$ 379,376</u>

All notes payables are secured by the underlying financed automobiles.

Maturities of the notes payables for each of the next five years are as follows:

Year Ending September 30,	
2018	\$ 241,434
2019	170,401
2020	107,638
2021	79,606
2022	23,139
Total	<u>\$ 622,218</u>

12. Capital lease obligations

The following capital lease obligations are included in the condensed consolidated balance sheets:

	<u>September 30,</u> <u>2017</u>	<u>March 31,</u> <u>2017</u>
Capital lease obligations:		
Current	\$ 48,581	\$ 51,376
Long-term	82,013	59,907
Total obligations	<u>\$ 130,594</u>	<u>\$ 111,283</u>

Interest expense on capital lease obligations for the six months ended September 30, 2017 and 2016 amounted to \$3,959 and \$1,404, and \$2,420 and \$631 for the three months ended September 30, 2017 and 2016, respectively.

Future minimum lease payments under the capital leases are as follows:

Year Ending September 30,	
2018	\$ 65,065
2019	44,062
2020	26,829
2021	8,654
Total minimum lease payments	144,610
Less: Amount representing interest	(14,016)
Total	<u>\$ 130,594</u>

13. Segment Reporting

ASC 280, "Segment Reporting", establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for details on the Company's business segments. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's CODM for making operating decisions and assessing performance as the source for determining the Company's reportable segments. Management, including the CODM, reviews operation results by the revenue of different products or services. Based on management's assessment, the Company has determined that it has two operating segments as defined by ASC 280, consisting of wholesale and retail operations.

The primary financial measures used by the Company to evaluate performance of individual operating segments are sales and income before income tax provision.

The following table presents summary information by segment for the six months ended September 30, 2017 and 2016, respectively:

	Six months ended September 30, 2017		
	Wholesale	Retail	Total
Net sales	\$ 12,756,700	\$ 53,111,718	\$ 65,868,418
Cost of sales	9,797,526	38,623,166	48,420,692
Retail occupancy costs	-	3,836,604	3,836,604
Gross profit	<u>\$ 2,959,174</u>	<u>\$ 10,651,948</u>	<u>\$ 13,611,122</u>
Interest expense, net	\$ (18,158)	\$ (358,225)	\$ (376,383)
Depreciation and amortization	\$ 130,834	\$ 859,749	\$ 990,583
Capital expenditure	\$ 22,595	\$ 1,435,859	\$ 1,458,454
Segment income before income tax provision	\$ 429,569	\$ (936,442)	\$ (506,873)
Income tax provision (benefit)	\$ 223,376	\$ (486,950)	\$ (263,574)
Segment assets	\$ 11,578,328	\$ 35,329,642	\$ 46,907,970
	Six months ended September 30, 2016		
	Wholesale	Retail	Total
Net sales	\$ 10,411,053	\$ 51,765,739	\$ 62,176,792
Cost of sales	7,850,731	37,989,811	45,840,542
Retail occupancy costs	-	3,605,453	3,605,453
Gross profit	<u>\$ 2,560,322</u>	<u>\$ 10,170,475</u>	<u>\$ 12,730,797</u>
Interest expense, net	\$ (86,556)	\$ (3,736)	\$ (90,292)
Depreciation and amortization	\$ 111,219	\$ 733,955	\$ 845,174
Capital expenditure	\$ 327,096	\$ 280,437	\$ 607,533
Segment income before income tax provision	\$ 338,109	\$ 454,811	\$ 792,920
Income tax provision	\$ 12,462	\$ 344,352	\$ 356,814
Segment assets	\$ 8,627,249	\$ 22,883,447	\$ 31,510,696

The following table presents summary information by segment for the three months ended September 30, 2017 and 2016, respectively:

	Three months ended September 30, 2017		
	Wholesale	Retail	Total
Net sales	\$ 6,587,593	\$ 26,752,299	\$ 33,339,892
Cost of sales	5,002,638	19,723,384	24,726,022
Retail occupancy costs	-	1,893,762	1,893,762
Gross profit	<u>\$ 1,584,955</u>	<u>\$ 5,135,153</u>	<u>\$ 6,720,108</u>
Interest expense, net	\$ (8,814)	\$ (200,030)	\$ (208,844)
Depreciation and amortization	\$ 63,029	\$ 445,535	\$ 508,564
Capital expenditure	\$ 9,569	\$ 1,146,424	\$ 1,155,993
Segment income before income tax provision	\$ 269,382	\$ (216,812)	\$ 52,570
Income tax provision	\$ 140,079	\$ (112,743)	\$ 27,336
Segment assets	\$ 11,578,328	\$ 35,329,642	\$ 46,907,970

	Three months ended September 30, 2016		
	Wholesale	Retail	Total
Net sales	\$ 5,899,043	\$ 25,987,857	\$ 31,886,900
Cost of sales	4,502,746	19,227,496	23,730,242
Retail occupancy costs	-	1,765,386	1,765,386
Gross profit	<u>\$ 1,396,297</u>	<u>\$ 4,994,975</u>	<u>\$ 6,391,272</u>
Interest expense, net	\$ (44,854)	\$ (1,864)	\$ (46,718)
Depreciation and amortization	\$ 59,307	\$ 372,977	\$ 432,284
Capital expenditure	\$ 141,131	\$ 30,240	\$ 171,371
Segment income before income tax provision	\$ 238,325	\$ 239,315	\$ 477,640
Income tax provision	\$ 7,658	\$ 211,621	\$ 219,279
Segment assets	\$ 8,627,249	\$ 22,883,447	\$ 31,510,696

14. Income Taxes

iFresh is a Delaware holding company who is subject to the U.S. income tax.

NYM is taxed as a corporation for income tax purposes and as a result of the "Contribution Agreement" entered into in December 31, 2014 NYM has elected to file a consolidated federal income tax return with its eleven subsidiaries. NYM and the shareholders of the eleven entities, as parties to the Contribution Agreement, entered into a tax-free transaction under Section 351 of the Internal Revenue Code of 1986 whereby the eleven entities became wholly owned subsidiaries of the Company. As a result of the tax-free transaction and the creation of a consolidated group, the subsidiaries are required to adopt the tax year-end of its parent, NYM. NYM was incorporated on December 30, 2014 and has adopted a tax-year end of March 31.

Certain of the subsidiaries have incurred net operating losses ("NOL") in tax years ending prior to the Contribution Agreement. The net operating losses are subject to the Separate Return Limitation Year ("SRLY") rules which limit the utilization of the losses to the subsidiaries who generated the losses. The SRLY losses are not available to offset taxable income generated by members of the consolidated group.

Based upon management's assessment of all available evidence, the Company believes that it is more-likely-than-not that the deferred tax assets, primarily for certain of the subsidiaries SRLY NOL carry-forwards will not be realizable; and therefore, a full valuation allowance is established for SRLY NOL carry-forwards. The valuation allowance for deferred tax assets was approximately \$788,039 as of September 30, 2017 and \$788,039 as of March 31, 2017.

The Company has approximately \$2,815,000 and \$2,318,000 of US NOL carry forward of which approximately \$2,815,000 and \$2,318,000 are SRLY NOL as of September 30, 2017 and March 31, 2017, respectively. For income tax purpose, those NOLs will expire in the year 2030 through 2034.

Income Tax Provision (Benefit)

The provision (benefit) for income taxes consists of the following components:

	Six months ended September 30,	
	2017	2016
Current:		
Federal	\$ -	\$ 127,316
State	-	99,101
	<u>-</u>	<u>226,418</u>
Deferred:		
Federal	(169,919)	115,875
State	(93,655)	14,521
	<u>(263,574)</u>	<u>130,396</u>
Total	<u>\$ (263,574)</u>	<u>\$ 356,814</u>

Tax Rate Reconciliation

Following is a reconciliation of the Company's effective income tax rate to the United State federal statutory tax rate:

	Six months ended September 30,	
	2017	2016
Expected tax at U.S. statutory income tax rate	34%	34%
State and local income taxes, net of federal income tax effect	14%	12%
Other non-deductible fees and expenses	1%	1%
Other	3%	(2%)
Effective tax rate	52%	45%

Deferred Taxes

The effect of temporary differences included in the deferred tax accounts as follows:

	<u>September 30,</u> <u>2017</u>	<u>March 31,</u> <u>2017</u>
Deferred Tax Assets/ (Liabilities):		
Deferred expenses	\$ 135,961	\$ 123,260
Sec 263A Inventory Cap	248,222	215,248
Deferred rent	2,662,409	2,467,259
Depreciation and amortization	(2,829,483)	(2,718,968)
Net operating losses	921,303	788,039
Valuation allowance	(788,039)	(788,039)
Net Deferred Tax Assets	<u>\$ 350,373</u>	<u>\$ 86,799</u>

15. Related-Party Transactions

Management Fees, Advertising Fees and Sale of Non-Perishable and Perishable Products to Related Parties

The following is a detailed breakdown of significant management fees, advertising fees and sale of products for the six and three months ended September 30, 2017 and 2016 to related parties, which are directly or indirectly owned, in whole or in part, by Mr. Long Deng, a majority shareholder, and not eliminated in the consolidated financial statements. In addition, the outstanding receivables due from these related parties as of September 30, 2017 and 2016 were included in advances and receivables – related parties (see Note 7).

Six months ended September 30, 2017

Related Parties	Management Fees	Advertising Fees	Non- Perishable & Perishable Sales
New York Mart, Inc.	\$ 26,911	\$ 22,258	\$ 1,091,046
Pacific Supermarkets Inc.	40,203	23,818	1,857,100
NY Mart MD Inc.	27,017	5,091	1,686,839
El Monte	3,293	-	87,504
iFresh Harwin Inc	-	-	96,932
Spring Farm Inc.	-	-	4,191
Spicy Bubbles, Inc.	-	-	52,627
Pine Court Chinese Bistro	-	-	99,524
	<u>\$ 97,424</u>	<u>\$ 51,167</u>	<u>\$ 4,975,763</u>

Six months ended September 30, 2016

Related Parties	Management Fees	Advertising Fees	Non-Perishable & Perishable Sales
New York Mart, Inc.	\$ 24,147	\$ 8,646	\$ 826,501
Pacific Supermarkets Inc.	29,202	10,327	1,622,829
NY Mart MD Inc.	23,715	-	1,037,419
Spring Farm Inc.	-	-	5,414
Spicy Bubbles, Inc.	-	-	51,820
Pine Court Chinese Bistro	-	-	85,178
	<u>\$ 77,064</u>	<u>\$ 18,973</u>	<u>\$ 3,629,161</u>

Three months ended September 30, 2017

Related Parties	Management Fees	Advertising Fees	Non-Perishable & Perishable Sales
New York Mart, Inc.	\$ 13,282	\$ 13,831	\$ 566,022
Pacific Supermarkets Inc.	19,830	14,611	939,476
NY Mart MD Inc.	13,411	2,081	808,125
El Monte	3,293	-	87,504
iFresh Harwin Inc	-	-	96,932
Spring Farm Inc.	-	-	2,999
Spicy Bubbles, Inc.	-	-	26,271
Pine Court Chinese Bistro	-	-	47,762
	<u>\$ 49,816</u>	<u>\$ 30,523</u>	<u>\$ 2,575,091</u>

Three months ended September 30, 2016

Related Parties	Management Fees	Advertising Fees	Non-Perishable & Perishable Sales
New York Mart, Inc.	\$ 12,057	\$ 6,406	\$ 470,049
Pacific Supermarkets Inc	14,536	7,247	852,705
NY Mart MD Inc	12,130	-	629,494
Spring Farm Inc.	-	-	3,306
Spicy Bubbles, Inc.	-	-	24,828
Pine Court Chinese Bistro	-	-	44,187
	<u>\$ 38,723</u>	<u>\$ 13,653</u>	<u>\$ 2,024,569</u>

Long-Term Operating Lease Agreement with a Related Party

The Company leases a warehouse from a related party that is owned by Mr. Long Deng, the majority shareholder of the Company, and will expire on April 30, 2026. Rent incurred to the related party was \$354,000 and \$334,000 for the six months ended on September 30, 2017 and 2016, and \$177,000 and \$167,000 for the three months ended on September 30, 2017 and 2016, respectively.

16. Operating Lease Commitments

The Company's leases include stores, office and warehouse buildings. These leases have an average remaining lease term of approximately 10 years as of September 30, 2017.

Rent expense charged to operations under operating leases in the six months ended September 30, 2017 and 2016 amounted to \$3,256,250 and \$3,118,909 and \$1,572,134 and \$1,530,003 for the three months ended September 30, 2017 and 2016, respectively.

Future minimum lease obligations for operating leases with initial terms in excess of one year at September 30, 2017 are as follows:

	Non-related parties	Related party	Total
2018	\$ 7,022,887	\$ 708,000	\$ 7,730,887
2019	7,227,475	708,000	7,935,475
2020	7,418,004	708,000	8,126,004
2021	7,203,448	708,000	7,911,448
2022	6,550,116	708,000	7,258,116
Thereafter	52,195,641	2,537,000	54,732,641
Total payments	<u>\$ 87,617,571</u>	<u>\$ 6,077,000</u>	<u>\$ 93,694,571</u>

17. Contingent Liability

The Company is exposed to claims and litigation matters arising in the ordinary course of business and uses various methods to resolve these matters in a manner that the Company believes best serves the interests of its stakeholders. These matters have not resulted in any material losses to date.

Rent Dispute

Ming's Supermarket, Inc. ("Ming"), the subsidiary of the Company, is a tenant at a building located at 140-148 East Berkeley Street, Boston, MA (the "Property"), pursuant to a lease dated September 24, 1999 (the "Lease"). The Lease had a 10-year initial term, followed by an option for two additional 10-year terms. Ming has exercised that first option and the Lease has approximately 15 years remaining to run if the second option is also exercised. The Lease also gives Ming a right of first refusal on any sale of the building.

On February 22, 2015, a sprinkler pipe burst in the Property. This caused the Inspectional Services Department of the City of Boston ("ISD") to inspect the Property. The ISD found a number of problems which have prevented further use of the Property. The ISD notified both landlord and tenant that the Property was only permitted for use as an elevator garage and that its use as a warehouse was never permitted and that a conditional use permit must be obtained from the City of Boston to make such use lawful. Moreover, the Property was found to have major structural issues requiring repair, as well as issues with the elevator and outside glass. The result of the ISD's findings are that Ming was ordered not to use the Property for any purpose unless and until the structural and other repairs are completed and its use as a warehouse is permitted by the Boston Zoning Board.

While the Lease provides that the elevator (approximate cost \$400,000) and glass repairs (approximate cost \$30,000) are the responsibility of the tenant, the structural repairs (approximate cost \$500,000) are the landlord's responsibility under the Lease, unless the structural damage was caused by the tenant's misuse of the Property. In this regard Ming has retained an expert who will testify the structural damage to the building was caused by long term water infiltration and is not the result of anything Ming did. Ming initially sought for the landlord to perform the structural repairs and agreed that upon completion of those repairs, Ming would repair the elevator and the broken glass. In addition, Ming asked the landlord to cooperate in permitting use of the Property as a warehouse.

The landlord refused to either perform structural repairs or to cooperate on the permitting. As a result, as of April 2015, Ming stopped paying the landlord rent, since it was barred from using the Property by order of the ISD. The landlord then sued Ming for breach of the Lease and unpaid rent and Ming counterclaimed for constructive eviction and for damages resulting from the landlord's breach of its duty to perform structural repairs under the Lease.

It would appear the landlord wishes to use the current circumstances to terminate the lease or to cause Ming to abandon it. The Lease is at considerably below market and impairs the landlord's ability to sell the Property for a high price. The landlord is claiming damages of approximately \$470,000 in unpaid rent and additional rent charges under the lease to date, plus for the cost of repairs. Ming is claiming damages in the amount of lost profits of \$20,000 to \$30,000 per month resulting from the loss of its warehouse space and for the landlord's failure to undertake its responsibilities under the lease. Ming's damages also include loss of the benefit of its below market lease. Ming is also seeking an order of the Court directing the landlord to perform the structural repairs.

The parties have been unable to agree on terms of a settlement and a trial was necessary to resolve this matter. The case was tried on August 21, 2017 and concluded on August 29, 2017 with a jury verdict in favor of the Company. The JURY VERDICT FORM issued on August 31, 2017 affirmed that the landlord breached the lease by failing to make the necessary structural repairs to the Premises and take responsibility to recover Ming's damages from the breach. After the jury verdict, the landlord filed an appeal immediately. The new verdict of this case was issued in the Company's favor on September 29, 2017. The judge awarded us double damages and attorney's fees in this case. That will result in a total judgment of \$1,590,000 including \$795,000 for damage compensation plus the attorneys' fees and interest and costs. In addition, the landlord was ordered to make repairs to the building with additional damages of \$2,250 for each month until completed.

However, the landlord is planning to file another appeal shortly after the verdict based on our acknowledgement. No guaranties or predications can be made at this time as to ultimate final outcome of this case. The Company believes that the facts and the law are favorable for Ming's as to both its continuing liability for rent and its affirmative claim to recover damages.

Trade order dispute

A lawsuit has been filed against New York Mart Group, Inc. ("NYMG"), a subsidiary of iFresh, and New Sunshine Group, LLC ("New Sunshine"), by SKKR Trading, LLC ("Plaintiff") for breach of contract and failure to pay. The plaintiff is seeking from NYMG and New Sunshine for principal damages in the amount of \$116,878 representing the total amount of invoices Plaintiff is claiming pass due, penalty of \$256,000 for the past due invoices and attorney cost which was estimated to be \$80,000 to \$90,000.

The Plaintiff claimed that NYMG and New Sunshine failed to pay for a shrimp order. NYMG and New Sunshine have raised various defenses, most of which center on the arguments that NYMG and New Sunshine abandoned the Distribution Agreement and did not order, receive or benefit from the shrimp at issue. Rather, the shrimp was ordered by a tenant of NYMG, Hong Hai, who was a completely separate corporation than NYMG or New Sunshine.

The case went to trial on March 12 to 15, 2017. On April 17, 2017, the Court ruled in favor of Plaintiff and against NYMG and New Sunshine in the amount of \$385,492. NYMG hired a new law firm to appeal the case because it believes that there are new evidences and arguments that NYMG should not be held responsible for these damages. The appeal process will take approximately 1 year. During the appeal, NYMG will not be required to pay the amount under the Final Judgment. While discovery is ongoing and no guaranties or predications can be made at this time as to ultimate outcome, the Company and its attorney believe a fair estimate of the chance the Company will prevail on the appeal of the Final Judgment is approximately 50%.

Most recently on August 11, 2017, approximately \$196,000 in funds held in one of New York Mart's bank accounts at TD Bank was ordered by the Court to be frozen until the appeal has been concluded, after plaintiff trying to seize these funds as part of an effort to enforce the aforementioned judgement.

Once the appeal is concluded, the ownership of the \$196,000 will be determined. SKKR is not permitted to take any other action to enforce this judgment, including attempting to seize any other funds in the TD Bank accounts, any other funds, any assets owned by NYM. Accordingly, NYM is able to continue to use all bank accounts at TD Bank (with the exception of the frozen \$196,000 which has been set aside) without the threat of those accounts being seized by SKKR.

The principal shareholder of the Company, Mr. Long Deng, made a personal pledge to pay for the entire amount of the damage if the appeal is ruled against NYMG. The Company did not accrue any of this potential liability.

The Company evaluates contingencies on an ongoing basis and will establish loss provisions for matters in which losses are probable and the amount of loss can be reasonably estimated, and is not currently a party to any legal proceeding that management believes could have a material adverse effect on the Company's results of operations, cash flows or balance sheet.

18. Subsequent Event

On October 2, 2017, the Company acquired 100% equity interest of New York Mart CT, Inc. ("NYM CT") from Long Deng, the Company's Chairman and Chief Executive Officer, for \$3,500,000. The transaction was duly approved by the Company's Board of Directors. The purchase price was agreed to based upon a review of the assets and financial statements of NYM CT. The purchase included the business, lease and equipment of the store. The store is currently under renovation and the Company expects the Connecticut store to open in December 2017.

On October 2, 2017, the Company acquired 100% equity interest of New York Mart N. Miami Inc. ("NYM N. Miami") from Long Deng, the Company's Chairman and Chief Executive Officer, and Yang Yu Gao for \$3,500,000 and 45,000 shares of the Company's common stock. The transaction was duly approved by the Company's Board of Directors. The purchase price was agreed to based upon a review of the assets and financial statements of NYM N. Miami. The purchase included the business, lease and equipment the store. The store is also currently under construction, and, once finished, will be one of the largest Asian supermarkets in South Florida. The Company expects the Miami store to open in November 2017.

For purpose of preparing these consolidated financial statements, the Company considered events through November 14, 2017, which is the date the consolidated financial statements were available for issuance. Except for those disclosed above, there were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our other Securities and Exchange Commission ("SEC") filings. References to "we," "us," "our," "iFresh" or the "Company" are to iFresh Inc., except where the context requires otherwise. The following discussion should be read in conjunction with our unaudited condensed financial statements and related notes thereto included elsewhere in this report.

Overview

iFresh Inc. ("we," "us," "our," or "iFresh" or the "Company") is a Delaware company incorporated in July 2016 in order to reincorporate E-Compass Acquisition Corp. ("E-Compass") to Delaware pursuant to the Merger Agreement (as defined below). Immediately following the reincorporation, we acquired NYM Holding, Inc. ("NYM"). E-Compass was a blank check company formed for the purpose of entering into a share exchange, asset acquisition, share purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities. NYM is a fast growing Asian/Chinese grocery supermarket chain in the north-eastern U.S. providing food and other merchandise hard to find in mainstream grocery stores. Since NYM was formed in 1995, NYM has been targeting the Chinese and other Asian population in the U.S. with its in-depth cultural understanding of its target customer's unique consumption habits. iFresh currently has nine retail supermarkets across New York, Massachusetts and Florida. It also has two in-house wholesale businesses, Strong America Limited ("Strong America") and New York Mart Group, Inc. ("NYMG"), covering more than 6,000 wholesale products and servicing both NYM retail supermarkets and over 1,000 external clients that range from wholesalers to retailing groceries and restaurants. NYM has a stable supply of food from farms in New Jersey and Florida, ensuring reliable supplies of the most popular vegetables, fruits and seafood. Its wholesale business and long term relationships with farms insulate NYM from supply interruptions and sales declines, allowing it to remain competitive even during difficult markets.

On July 25, 2016, iFresh entered into a merger agreement (the "Merger Agreement") with E-Compass Acquisition Corp., a Cayman Islands company and parent of iFresh, iFresh Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of iFresh, or "Merger Sub," NYM, the stockholders of NYM, and Long Deng, as representative of the stockholders of NYM. Pursuant to the terms of the Merger, on February 10, 2017, E-Compass merged with and into iFresh in order to redomesticate the Company into Delaware. After the redomestication, Merger Sub merged with and into NYM, resulting in NYM being a wholly owned subsidiary of iFresh. At the time of the Redomestication, each E-Compass ordinary share was converted into one share of common stock of iFresh and each E-Compass Right was converted into one substantially equivalent right ("iFresh Right") to receive one-tenth (1/10) of a share of iFresh Common Stock on the consummation of the Business Combination. In connection with the Redomestication, E-Compass ceased to exist and iFresh is the surviving corporation.

At closing on February 10, 2017, iFresh issued iFresh's stockholders an aggregate of: (i) \$5 million in cash, plus, (ii) 12,000,000 shares of our common stock. In addition, iFresh executed an option agreement to acquire up to an additional four supermarkets prior to March 31, 2017 for aggregate consideration of \$10 million in cash. In connection with the closing, holders of 1,937,967 of E-Compass's ordinary shares elected to redeem their shares and the Company paid \$20,154,857 in connection with such redemption. The option agreement subsequently expired unexercised.

On July 13, 2017, the Company acquired Mia Supermarket in Orlando FL, a 20,370 square-foot grocery store located at 2415 E. Colonial Drive, from Michael Farmers Supermarket, LLC. The new store, which will be called iFresh East Colonial, will be the first iFresh store in Orlando and the second in Florida. iFresh acquired the supermarket for \$1,050,000 in cash. The purchase included property and equipment, and inventory of the old store.

Also on July 13, 2017, the Company acquired all of the shares of iFresh Glen Cove Inc. (“Glen Cove”) from Long Deng, the Company’s Chairman and Chief Executive Officer, for 50,000 shares of the Company’s common stock. The transaction was approved by the Company’s Board of Directors and the price was agreed to be based upon a review of the assets and financial statements of Glen Cove. Glen Cove is setting up a 22,859 square-foot brand new grocery store being setting up in Garden City, New York located at 192 Glen Cove Road, within the Roosevelt Field Mall business district. This will be the Company’s first store in Long Island and the sixth in New York. The Company expects iFresh Glen Cove to open in the first quarter of 2018.

Recent Developments

On October 2, 2017, the Company acquired all of the shares of New York Mart CT, Inc. (“NYM CT”) from Long Deng, the Company’s Chairman and Chief Executive Officer, for \$3,500,000. The store is currently under renovation and the Company expects the Connecticut store to open in December 2017.

Also on October 2, 2017, the Company acquired all of the shares of New York Mart N. Miami Inc. (“NYM N. Miami”) from Long Deng, the Company’s Chairman and Chief Executive Officer, and Yang Yu Gao for \$3,500,000 and 45,000 shares of the Company’s common stock. . The store is currently under construction, and, once finished, will be one of the biggest Asian supermarkets in South Florida. The Company expects the Miami store to open in November 2017.

Both transactions were approved by the Company’s Board of Directors and the price was agreed to be based upon reviews of the assets and financial statements of NYM CT and NYM N. Miami. The purchase included the business, lease and equipment of the store. The store is currently under renovation and the Company expects the Connecticut store to open in December 2017.

Business Outlook

iFresh is an Asian Chinese supermarket chain in the U.S. northeastern region with nine retail super markets and two wholesale facilities. iFresh plans to strategically expand along the I-95 corridor and its goal is to cover most of the States on the east coast of the United States, with focus in the area where there is a large Asian population. iFresh believes that the following are among its advantages in the market:

- a. iFresh provides unique products to meet the demands of the Asian/Chinese American Market;
- b. iFresh has established a merchandising system backed by an in-house wholesale business and by long-standing relationships with farms;
- c. iFresh maintains an in-house cooling system with unique hibernation technology that has developed over 20 years to preserve perishables, especially produce and seafood;
- d. iFresh capitalizes on economies of scale, allowing strong negotiating power with upstream vendors and downstream customers; and
- e. iFresh has a proven and replicable track record of management, operation, acquisition and organic growth.

iFresh’s net sales were \$65.9 million and \$62.2 million for the six months ended September 30, 2017 and 2016, respectively. In terms of sales by category, perishables constituted approximately 60.5% of the total sales for the six months ended September 30, 2017. iFresh incurred a net loss of \$0.24 million for the six months ended September 30, 2017, a decrease of \$0.68 million, or 146%, from \$0.44 million of net income for the six months ended September 30, 2016. However, iFresh had net income of \$25,234 for the three months ended September 30, 2017, significantly improved from a net loss of \$0.27 million for the three months ended June 30, 2017. Adjusted EBITDA was \$0.9 million for the six months ended September 30, 2017, a decrease of \$1.3 million, or 61%, from \$2.2 million for the six months ended September 30, 2016. For additional information on Adjusted EBITDA, See the section entitled “iFresh’s Management’s Discussion and Analysis of Financial Condition and Results of Operations — Adjusted EBITDA,” beginning on page 25.

Factors Affecting iFresh's Operating Results

Seasonality

iFresh's business shows seasonal fluctuations. Sales in its first and second fiscal quarters (ending June 30 and September 30, respectively) are usually 5% to 10% lower than in third and fourth quarters (ending December 31 and March 31, respectively). In iFresh's third fiscal quarter, customers make holiday purchases for Thanksgiving and Christmas. In iFresh's fourth fiscal quarter, customers make purchases for traditional Chinese holidays, such as the Spring Festival (Chinese New Year, in January or February).

Parking

The availability of parking is important to iFresh's sales volume, and changes in the availability of parking would affect iFresh's sales volume. For example, one of the two parking lots serving iFresh's Ming store in Boston was required to be temporarily leased to a farmers' market on Sundays by the city of Boston from April to October 2016, which reduced sales at the store by about 10% during this period.

Competition

iFresh faces competition from smaller or dispersed competitors focusing on the niche market of Chinese and other Asian consumers. However, with the rapid growth of the Chinese and other Asian population and their consumption power, other competitors may also begin operating in this niche market in the future. Those competitors include: (i) national conventional supermarkets, (ii) regional supermarkets, (iii) national superstores, (iv) alternative food retailers, (v) local foods stores, (vi) small specialty stores, and (vii) farmers' markets.

Payroll

Minimum wage rates in some states and cities are scheduled to increase every year on December 31 until they reach \$15.00 per hour. For example, the minimum wage rate is expected to increase from \$11 on December 31, 2016 to \$13 per hour on December 31, 2017 in New York City. Payroll and related expenses increased by \$2 million, or 34% for the six months ended September 30, 2017 as compared to the same period of last year as a result of increase of wages and head count, and the addition of its business operation and financial reporting department since iFresh became a public company in February 2017. iFresh plans to implement ERP systems in the future to improve operating efficiency and reduce labor costs. In addition, the Company is in the process of implementing ADP's comprehensive personnel management system to enhance the monitoring of employees' worktime and reducing the cost of human resources.

Vendor and Supply Management

iFresh believes that a centralized and efficient vendor and supply management system is the key to business success and profitability. iFresh operates its own wholesale facilities, which supplied about 41% of its products as of September 30, 2017. iFresh recently centralized the management of its vendors and procurement. It believes that such centralized vendor management enhances iFresh's negotiating power and improves its ability to turnover inventory and vendor payables. Any changes to the vendor and supply management could affect iFresh's purchasing costs and operating expenses.

Store Maintenance and Renovation

From time to time, iFresh conducts maintenance on the fixtures and equipment for its stores. Any maintenance or renovations could interrupt the operation of our stores and result in a decline of customer volume, and therefore sales volume, but will, in the opinion of management, boost sales after they are completed. Significant maintenance or renovation would affect our operation and operating results.

Store Acquisitions and Openings

iFresh expects the new stores it acquires or opens to be one of the primary drivers of its sales, operating profit and market share gains. iFresh's results will be materially affected by the timing and number of new store additions and the new store opening costs. For example, iFresh would incur rental, utilities and employee expenses during any period of renovation, which would be recorded as expenses on the income statement and would decrease iFresh's profit. iFresh may incur higher than normal employee costs associated with set-up, hiring, training, and other costs related to opening a new store. Operating margins are also affected by promotional discounts and other marketing costs and strategies associated with new store openings, primarily due to overstocking, and costs related to hiring and training new employees. Additionally, promotional activities may result in higher than normal net sales in the first several weeks following a new store opening. A new store builds its sales volume and its customer base over time and, as a result, generally has lower margins and higher operating expenses, as a percentage of sales, than our more mature stores. A new store could take more than a year to achieve a level of operating performance comparable to our existing stores. In October 2017, the Company acquired two additional stores, one of which is located in Miami, Florida and the other is located in Connecticut.

How to Assess iFresh's Performance

In assessing performance, iFresh's management considers a variety of performance and financial measures, including principal growth in net sales, gross profit and Adjusted EBITDA. The key measures that we use to evaluate the performance of our business are set forth below:

Net Sales

iFresh's net sales comprise gross sales net of coupons and discounts. We do not record sales taxes as a component of retail revenues as we consider it a pass-through conduit for collecting and remitting sales taxes.

Gross Profit

iFresh calculates gross profit as net sales less cost of sales and occupancy costs. Gross margin represents gross profit as a percentage of its net sales. Occupancy costs include store rental costs and property taxes. The components of our cost of sales and occupancy costs may not be identical to those of its competitors. As a result, our gross profit and gross margin may not be comparable to similar data made available by our competitors.

Cost of sales includes the cost of inventory sold during the period, including the direct costs of purchased merchandise (net of discounts and allowances), distribution and supply chain costs, buying costs and supplies. iFresh recognizes vendor allowances and merchandise volume related rebate allowances as a reduction of inventories during the period when earned and reflects the allowances as a component of cost of sales as the inventory is sold. Shipping and handling for inventories purchased are included in cost of goods sold.

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily consist of retail operational expenses, administrative salaries and benefits costs, marketing, advertising and corporate overhead.

Adjusted EBITDA

iFresh believes that Adjusted EBITDA is a useful performance measure and can be used to facilitate a comparison of NYM's operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business than GAAP measures alone can provide. iFresh also uses Adjusted EBITDA as one of the primary methods for planning and forecasting overall expected performance and for evaluating on a quarterly and annual basis actual results against such expectations, and as a performance evaluation metric in determining achievement of certain compensation programs and plans for employees, including senior executives. Other companies in the industry may calculate Adjusted EBITDA differently than iFresh does, limiting its usefulness as a comparative measure.

iFresh's management defines Adjusted EBITDA as earnings before interest expense, income taxes, depreciation and amortization expense, store opening costs, and non-recurring expenses. All of the omitted items are either (i) non-cash items or (ii) items that we do not consider in assessing its on-going operating performance. Because it omits non-cash items, iFresh's management believes that Adjusted EBITDA is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges and more reflective of factors that affect its operating performance. iFresh's management believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the company's financial measures with other specialty retailers, many of which present similar non-GAAP financial measures to investors.

Results of Operations for the six months ended September 30, 2017 and 2016

	For the six months ended September 30,		Changes	
	2017	2016	\$	%
Net sales-third parties	\$ 60,892,655	\$ 58,547,631	\$ 2,345,024	4%
Net sales-related parties	4,975,763	3,629,161	1,346,602	37%
Total Sales	65,868,418	62,176,792	3,691,626	6%
Cost of sales-third parties	44,468,196	43,154,963	1,313,233	3%
Cost of sales-related parties	3,952,496	2,685,579	1,266,917	47%
Occupancy costs	3,836,604	3,605,453	231,152	6%
Gross Profit	13,611,122	12,730,797	880,325	7%
Selling, general and administrative expenses	14,961,027	12,356,026	2,605,001	21%
Income (Loss) from operations	(1,349,905)	374,771	(1,724,676)	-460%
Interest expense	(376,383)	(90,292)	(286,091)	317%
Other income	1,219,415	508,441	710,974	140%
Income (Loss) before income tax provision	(506,873)	792,920	(1,299,793)	-164%
Income tax (benefit) provision	(263,574)	356,814	(620,388)	-174%
Net income (loss)	\$ (243,299)	\$ 436,106	\$ (679,405)	-156%
Net income (loss) attributable to common shareholders	\$ (243,299)	\$ 436,106	\$ (679,405)	-156%

Net Sales

	For the six months ended September 30,		Changes	
	2017	2016	\$	%
Net sales of retail	\$ 53,111,718	\$ 51,765,739	\$ 1,345,979	3%
Net sales of wholesale-third parties	7,780,937	6,781,892	999,045	15%
Net sales of wholesale-related parties	4,975,763	3,629,161	1,346,602	37%
Total Net Sales	\$ 65,868,418	\$ 62,176,792	\$ 3,691,626	6%

iFresh's net sales were \$65.9 million for the six months ended September 30, 2017, an increase of \$3.7 million, or 5.9%, from \$62.2 million for the six months ended September 30, 2016.

Net retail sales increased by \$1.3 million, or 3%, from \$51.8 million for the six months ended September 30, 2016, to \$53.1 million for the six months ended September 30, 2017. The increase resulted mainly from better product offering at stores and more effective marketing to promote the "iFresh" brand compared to the same period of 2016. Our total net wholesale sales increased by \$2.4 million, from \$10.4 million for the six months ended September 30, 2016 to \$12.8 million for the six months ended September 30, 2017, which was attributable to an increase of \$1.4 million in sales to related parties and \$1 million to third party due to iFresh focusing on improving its central procurement system through its wholesale facilities.

Cost of sales, Occupancy costs and Gross Profit

Retail Segment	For the six months ended September 30,		Changes	
	2017	2016	\$	%
Cost of sales	\$ 38,623,166	\$ 37,989,811	\$ 633,355	1.7%
Occupancy costs	3,836,604	3,605,453	231,151	6.4%
Gross profit	10,651,948	10,170,475	481,473	4.7%
Gross margin	20.1%	19.6%	0.5%	-

For the retail segment, gross profit was \$10.7 million and \$10.2 million for the six months ended September 30, 2017 and 2016, respectively. Gross margin was 20.1% and 19.6% for the six months ended September 30, 2017 and 2016, respectively. The gross profit increased mainly due to the increase in sales, and the minor fluctuation in gross margin is in the normal range.

Cost of sales increased by \$0.6 million, or 1.7%, from \$38.0 million for the six months ended September 30, 2016 to \$38.6 million for the six months ended September 30, 2017. The increase was in line with the increased sales for the six months.

Occupancy costs consist of store-level expenses such as rental expense, property taxes and other store specific costs. Occupancy costs increased by approximately 6.4%, from \$3.6 million for the six months ended September 30, 2016 to \$3.8 million for the six months ended September 30, 2017, which was mainly attributable to increased taxes and store specific costs and the additional rent paid for the newly acquired E. Colonial Store.

Wholesale Segment	For the six months ended September 30,		Changes	
	2017	2016	\$	%
Cost of sales	\$ 9,797,526	\$ 7,850,731	\$ 1,946,795	24.8%
Gross profit	\$ 2,959,174	2,560,322	398,852	15.6%
Gross margin	23.2%	24.6%	-1.4%	

For the wholesale segment, cost of sales increased by \$1.9 million or 24.8% from \$7.9 million for the six months ended September 30, 2016 to \$9.8 million for the six months ended September 30, 2017. The increase was attributable to continuingly increasing wholesale costs under current economic environment.

Gross profit increased by \$0.4 million, or 15.6% from \$2.6 million for the six months ended September 30, 2016 to \$3.0 million for the six months ended September 30, 2017. Gross margin decreased by 1.4% from 24.6% to 23.2%. The decrease of gross margin was due to tougher market competition we are facing resulting in the Company being unable to transfer all of the increase in costs to customers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses was \$15 million for the six months ended September 30, 2017, an increase of \$2.6 million, or 21%, compared to \$12.4 million for the six months ended September 30, 2016, which was mainly attributable to \$0.3 million of professional service fees, increased payroll expenses of approximate \$0.7 million and the additional expenses of \$0.5 million related to two stores newly acquired on July 13, 2017, one of which is in the process of being renovated and has no revenue.

Interest Expense

Interest expense was \$376,383 for the six months ended September 30, 2017, an increase of \$286,091, or 317%, from \$90,292 for the six months ended September 30, 2016, primarily attributable to the increased \$1.5 million line of credit and the \$1.05 million of delayed term loan to acquire E. Colonial.

Other income

Other income was \$1,219,415 for the six months ended September 30, 2017, an increase of \$710,974, or 140%, from \$508,441 for the six months ended September 30, 2016, primarily attributable to the insurance reimbursement for Ming's fire damage occurred in March for 0.5 million and the settlement gain of the lease dispute from U2.

Income Taxes Provision (Benefit)

iFresh is subject to U.S. federal and state income taxes. We utilized income tax benefit of \$0.26 million for the six months ended September 30, 2017, a decrease of \$0.62 million, or 174%, compared to \$0.36 million of income tax provision for the six months ended September 30, 2016, which was mainly attributable to the decrease in taxable income. For the six months ended September 30, 2017, the Company had a loss before tax and the income tax benefit represents the deferred income tax benefit derived from net operating loss.

Net Income

	For the six months ended September 30,		Changes	
	2017	2016	\$	%
Net income	\$ (243,299)	\$ 436,106	\$ (679,405)	-156%
Net Profit Margin	-0.4%	0.7%	-1.1%	

Net loss was \$0.24 million for the six months ended September 30, 2017, a decrease of \$0.68 million, or 156%, from \$0.44 million of net income for the six months ended September 30, 2016, mainly attributable to the increase of selling, general and administrative expenses and higher interest expenses as stated above.

Adjusted EBITDA

	For the six months ended September 30,		Changes	
	2017	2016	\$	%
Net income (loss)	\$ (243,299)	\$ 436,106	\$ (679,405)	-156%
Interest expenses	376,383	90,292	286,091	317%
Income tax provision (benefit)	(263,574)	356,814	(620,388)	-174%
Depreciation	832,667	778,508	54,159	7%
Amortization	157,916	66,666	91,250	137%
Merger expenses ⁽¹⁾	-	490,000	(490,000)	-100%
Adjusted EBITDA	\$ 860,093	\$ 2,218,386	\$ (1,358,293)	-61%
Percentage of sales	1.3%	3.6%	-2.3%	

(1) Merger expenses were professional fees paid to a financial advisor, legal counsel and auditors in connection with the business combination transaction with E-Compass, which are non-recurring expenses and added back for adjusted EBITDA.

Adjusted EBITDA was \$860,093 for the six months ended September 30, 2017, a decrease of \$1,358,293 or 61%, as compared to \$2.2 million for the six months ended September 30, 2016, mainly attributable to the decreased of net income of \$0.7 million and decrease of merger expenses of \$0.5 million. The ratio of Adjusted EBITDA to sales was 1.3% and 3.6% for the six months ended September 30, 2017 and 2016, respectively.

Results of Operations for the three months ended September 30, 2017 and 2016

	For the three months ended September 30,		Changes	
	2017	2016	\$	%
Net sales-third parties	\$ 30,764,800	\$ 29,862,331	\$ 902,469	3%
Net sales-related parties	2,575,092	2,024,569	550,523	27%
Total Sales	33,339,892	31,886,900	1,452,992	5%
Cost of sales-third parties	22,765,456	22,376,055	389,401	2%
Cost of sales-related parties	1,960,566	1,354,187	606,379	45%
Occupancy costs	1,893,762	1,765,386	128,376	7%
Gross Profit	6,720,108	6,391,272	328,836	5%
Selling, general and administrative expenses	7,476,204	6,130,117	1,346,087	22%
Income (Loss) from operations	(756,096)	261,155	(1,017,251)	-390%
Interest expense	(208,844)	(46,718)	(162,126)	347%
Other income	1,017,510	263,203	754,307	287%
Income before income tax provision	52,570	477,640	(425,070)	-89%
Income tax provision	27,336	219,279	(191,943)	-88%
Net income	\$ 25,234	\$ 258,361	\$ (233,127)	-90%
Net income attributable to common shareholders	\$ 25,234	\$ 258,361	\$ (233,127)	-90%

Net Sales

	For the three months ended September 30,		Changes	
	2017	2016	\$	%
Net sales of retail	\$ 26,752,299	\$ 25,987,857	\$ 764,442	3%
Net sales of wholesale-third parties	4,012,501	3,874,474	138,027	4%
Net sales of wholesale-related parties	2,575,092	2,024,569	550,523	27%
Total Net Sales	\$ 33,339,892	\$ 31,886,900	\$ 1,452,992	5%

iFresh's net sales were \$33.3 million for the three months ended September 30, 2017, an increase of \$1.5 million, or 5%, from \$31.9 million for the three months ended September 30, 2016.

Net retail sales increased by \$0.8 million, or 3%, from \$26 million for the three months ended September 30, 2016, to \$26.8 million for the three months ended September 30, 2017. The increase resulted mainly from the sales contributed from the newly opened E. Colonial store in Florida of \$0.8 million. Our total net wholesale sales increased by \$0.7 million, from \$5.9 million for the three months ended September 30, 2016 to \$6.6 million for the three months ended September 30, 2017, which was attributable to an increase of \$0.6 million in sales to related parties and \$0.1 million to third party due to iFresh focusing on improving its central procurement system through its wholesale facilities.

Cost of sales, Occupancy costs and Gross Profit

Retail Segment	For the three months ended		Changes	
	September 30,		\$	%
	2017	2016		
Cost of sales	\$ 19,723,384	\$ 19,227,496	\$ 495,888	2.6%
Occupancy costs	1,893,762	1,765,386	128,376	7.3%
Gross profit	5,135,153	4,994,975	140,178	2.8%
Gross margin	19.2%	19.2%	-	

For the retail segment, gross profit was \$5.1 million and \$5.0 million for the three months ended September 30, 2017 and 2016, respectively. Gross margin remained stable at 19.2% for the three months ended September 30, 2017 and 2016. The increase in gross profit was due to an increase in purchases through our central procurement system.

Cost of sales increased by \$0.5 million, or 2.5%, from \$19.2 million for the three months ended September 30, 2016 to \$19.7 million for the three months ended September 30, 2017. The increase was in line with the increase in sales for the three months.

Occupancy costs consist of store-level expenses such as rental expense, property taxes and other store specific costs. Occupancy costs increased by approximately \$0.1 million, or 7.2 %, from \$1.8 million for the three months ended September 30, 2016 to \$1.9 million for the three months ended September 30, 2017, which was mainly attributable to increased taxes and store specific costs and the rent of the newly acquired E. Colonial store.

Wholesale Segment	For the three months ended		Changes	
	September 30,		\$	%
	2017	2016		
Cost of sales	\$ 5,002,638	\$ 4,502,746	\$ 499,892	11.1%
Gross profit	\$ 1,584,955	1,396,297	188,658	13.5%
Gross margin	24.1%	23.7%	0.4%	

For the wholesale segment, cost of sales increased by \$0.5 million, or 11%, from \$4.5 million for the three months ended September 30, 2016 to \$5.0 million for the three months ended September 30, 2017. The increase in cost of sales was in par with the increased sales.

Gross profit increased by \$0.2 million, or 13.5% from \$1.4 million for the three months ended September 30, 2016 to \$1.6 million for the three months ended September 30, 2017. Gross margin increased by 0.4% from 23.7% to 24.1%. The increase in gross profit was minimal and we consider the gross margin variation to be within normal business fluctuations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses was \$7.5 million for the three months ended September 30, 2017, an increase of \$1.3 million, or 22%, compared to \$6.1 million for the three months ended September 30, 2016, which was mainly attributable to increased payroll expenses and the additional expenses related to two stores newly acquired on July 13, 2017, one of which is in the process of being renovated and has no revenue.

Interest Expense

Interest expense was \$208,844 for the three months ended September 30, 2017, an increase of \$162,126, or 347%, from \$46,718 for the three months ended September 30, 2016, primarily attributable to the increased \$1.5 million line of credit and the \$1.05 million of delayed term loan to acquire E. Colonial.

Other income

Other income was \$1.1 million for the three months ended September 30, 2017, an increase of \$0.75 million, or 287%, from \$0.3 million for the three months ended September 30, 2016, primarily as a result of the insurance payout for Ming's fire damage occurred in March for \$0.5 million, and the settlement gain of the lease dispute from U2.

Income Taxes Provision

iFresh is subject to U.S. federal and state income taxes. Income tax was \$27,336 for the three months ended September 30, 2017, a decrease of \$0.2 million, or 88%, compared to \$0.2 million of tax for the three months ended September 30, 2016, which was mainly attributable to the decrease in taxable income. For the three months ended September 30, 2017, the Company had a small gain before tax of \$52,570.

Net Income

	For the three months ended September 30,		Changes	
	2017	2016	\$	%
Net income (loss)	\$ 25,234	\$ 258,361	\$ (233,127)	-90%
Net Profit Margin	0.08%	0.8%	-0.72%	

Net income was \$25,234 for the three months ended September 30, 2017, a decrease of \$0.23 million, or 90%, from \$0.26 million of net income for the three months ended September 30, 2016, mainly attributable to the increase of selling, general and administrative expenses and higher interest expenses as stated above.

Adjusted EBITDA

	For the three month ended September 30,		Changes	
	2017	2016	\$	%
Net income	\$ 25,234	\$ 258,361	\$ (233,127)	-90%
Interest expenses	208,844	46,718	162,126	347%
Income tax provision	27,336	219,279	(191,943)	-88%
Depreciation	429,606	398,951	30,655	8%
Amortization	78,958	33,333	45,625	137%
Merger expenses ⁽¹⁾	-	490,000	(490,000)	-100%
Adjusted EBITDA	\$ 769,978	\$ 1,446,642	\$ (676,664)	-47%
Percentage of sales	2.3%	4.5%	-2.2%	

(1) Merger expenses were professional fees paid to a financial advisor, legal counsel and auditors in connection with the business combination transaction with E-Compass, which are non-recurring expenses and added back for adjusted EBITDA.

Adjusted EBITDA was \$769,978 for the three months ended September 30, 2017, a decrease of \$676,664 or 47%, as compared to \$1.4 million for the three months ended September 30, 2016, mainly attributable to the decreased net income of approximately \$230,000 and decrease of merger expenses of approximately \$490,000. The ratio of Adjusted EBITDA to sales was 2.3% and 4.5% for the three months ended September 30, 2017 and 2016, respectively.

Liquidity and Capital Resources

As of September 30, 2017, iFresh had cash and cash equivalents of approximately \$1.0 million. iFresh has funded working capital and other capital requirements in the past primarily by equity contribution from shareholders, cash flow from operations, and bank loans. Cash is required to pay purchase costs for inventory, rental, salaries, office rental expenses, income taxes, other operating expenses and repay debts. Although iFresh's management believes that the cash generated from operations will be sufficient to meet its normal working capital needs for at least the next twelve months, its ability to repay its current obligation will depend on the future realization of its current assets. iFresh's management has considered the historical experience, the economy, trends in the retail industry, the expected collectability of the accounts receivables and the realization of the inventories as of September 30, 2017. iFresh's ability to continue to fund these items may be affected by general economic, competitive and other factors, many of which are outside of our control. If the future cash flow from operations and other capital resources are insufficient to fund its liquidity needs, iFresh may be forced to reduce or delay its expected new store acquisition and openings, sell assets, obtain additional debt or equity capital or refinance all or a portion of its debt. Our working capital position benefits from the fact that it generally collects cash from sales to customers the same day or, in the case of credit or debit card transactions, within a few business days of the related sale and the quick inventory turnover.

We had \$16.7 million of advances to and receivables from the related parties we intend to acquire, which will be used to offset part of the acquisition consideration. In addition, we had \$6.45 million of unused credit line from Key Bank, which includes a revolving credit of \$2.5 million for making advances and the issuance of letters of credit, and \$3.95 million of a delayed draw term loan. We also plan to issue additional stock in lieu of cash as part of the acquisition consideration and plan to raise additional capital through sales of our stock if necessary. We intend to use part of the cash generated from our operations to fund our online sales initiative. If we are not able to turn over our inventory and collect our receivables in time as we have done in the past, Mr. Long Deng, the majority shareholder and Chief Executive Officer of iFresh, has indicated that he will personally fund iFresh's operations as needed. Based on the above considerations, iFresh's management is of the opinion that iFresh has sufficient funds to meet its working capital requirements, capital expenditure and debt obligations as they become due.

The following table summarizes iFresh's cash flow data for the six months ended September 30, 2017 and 2016.

	For the six months ended September 30,	
	2017	2016
Net cash provided by (used in) operating activities	\$ (993,367)	\$ 2,917,448
Net cash used in investing activities	(3,178,827)	(3,053,513)
Net cash provided by financing activities	2,680,184	262,927
Net (decrease) increase in cash and cash equivalents	<u>\$ (1,492,010)</u>	<u>\$ 126,862</u>

Operating Activities

Net cash used in operating activities consists primarily of net income adjusted for non-cash items, including depreciation and amortization, changes in deferred income taxes, and the effect of working capital changes. Net cash used in operating activities was approximately \$ 1.0 million for the six months ended September 30, 2017, a decrease of \$3.9 million, or 134%, compared to \$2.9 million of cash provided by operating activities for the six months ended September 30, 2016. The decrease in our cash from operating activities was mainly because we collected less account accounts, spent more on inventory and prepaid expenses and paid more in accounts payable for the six months ended September 30, 2016 than for the six months ended September 30, 2016.

Investing Activities

Net cash used in investing activities was approximately \$3.2 million for the six months ended September 30, 2017, an increase of \$0.1 million, compared to \$3.1 million for the six months ended September 30, 2016. The increase in our investment spending was primarily attributable to the acquisition of two new stores occurred in July 2017.

Financing Activities

Net cash provided by financing activities was approximately \$2.7 million for the six months ended September 30, 2017, which mainly consisted of net cash flow from borrowing against bank loans and lines of credit of \$3.5 million. Net cash provided by financing activities was \$0.3 million for the six months ended September 30, 2016, which mainly consisted of \$ 0.2 million from borrowings against lines of credit, notes payable, offsetting the repayment of credit lines and notes payable correspondingly.

Commitments and Contractual Obligations

The following table presents the Company's material contractual obligations as of September 30, 2017:

Contractual Obligations (unaudited)	Total	Less than			More than 5 years
		1 year	1-3 years	3-5 years	
Bank Loans	\$ 17,689,082	\$ 1,450,285	\$ 3,013,167	\$ 13,225,630	-
Estimated interest payments on bank loans	1,503,625	420,003	711,032	372,590	-
Notes payable	622,218	241,434	278,039	102,745	-
Capital lease obligations	143,514	65,065	70,891	7,558	-
Operating Lease Obligations ⁽¹⁾	<u>93,694,571</u>	<u>7,730,887</u>	<u>16,061,479</u>	<u>15,169,564</u>	<u>54,732,641</u>
	<u>\$ 113,653,010</u>	<u>\$ 9,907,674</u>	<u>\$ 20,134,608</u>	<u>\$ 28,878,087</u>	<u>\$ 54,732,641</u>

- (1) Operating lease obligations do not include common area maintenance, utility and tax payments to which iFresh is obligated, which is estimated to be approximately 50% of operating lease obligation.

Off-balance Sheet Arrangements

iFresh is not a party to any off-balance sheet arrangements.

Critical Accounting Estimates

The discussion and analysis of iFresh's financial condition and results of operations are based upon its financial statements, which have been prepared in accordance with GAAP. These principles require iFresh's management to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, cash flow and related disclosure of contingent assets and liabilities. The estimates include, but are not limited to, revenue recognition, inventory valuation, impairment of long-lived assets, and income taxes. iFresh bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and the actual results, future financial statements will be affected.

iFresh's management believes that among their significant accounting policies, which are described in Note 3 to the audited consolidated financial statements of iFresh included in this Form 10-K, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, iFresh's management believes these are the most critical to fully understand and evaluate its financial condition and results of operations.

Revenue Recognition

For retail sales, revenue is recognized at the point of sale. Discounts provided to customers at the time of sale are recognized as a reduction in sales as the discounted products are sold. Sales taxes are not included in revenue. Proceeds from the sale of coupons are recorded as a liability at the time of sale, and recognized as sales when they are redeemed by customers. For wholesale sales, revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, the Company has no other obligations and collectability is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are recorded as customer deposits.

Inventories

Inventories consist of merchandise purchased for resale, which are stated at the lower of cost or market. The cost method is used for wholesale and retail perishable inventories by assigning costs to each of these items based on a first-in, first-out (FIFO) basis (net of vendor discounts).

The Company's wholesale and retail non-perishable inventory is valued at the lower of cost or market using weighted average method.

Impairment of Long-Lived Assets

iFresh assesses its long-lived assets, including property and equipment and finite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. The Company groups and evaluates long-lived assets for impairment at the individual store level, which is the lowest level at which independent identifiable cash flows are available. Factors which may indicate potential impairment include a significant underperformance relative to the historical or projected future operating results of the store or a significant negative industry or economic trend. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by that asset. If impairment is indicated, a loss is recognized for any excess of the carrying value over the estimated fair value of the asset group. The fair value is estimated based on the discounted future cash flows or comparable market values, if available.

Income Taxes

iFresh must make certain estimates and judgments in determining income tax expense for financial statement purposes. The amount of taxes currently payable or refundable is accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the fiscal year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities for a change in income tax rates is recognized in income in the period that includes the enactment date.

freshly apply the provisions of the authoritative guidance on accounting for uncertainty in income taxes that was issued by the Financial Accounting Standards Board, or FASB. Pursuant to this guidance, and may 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 consolidated financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The authoritative guidance also addresses other items related to uncertainty in income taxes, including derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Recently Issued Accounting Pronouncements

In January 2017, the FASB issued ASU No. 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business”. The amendments in this ASU clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Basically these amendments provide a screen to determine when a set is not a business. If the screen is not met, the amendments in this ASU first, require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and second, remove the evaluation of whether a market participant could replace missing elements. These amendments take effect for public businesses for fiscal years beginning after December 15, 2017 and interim periods within those periods, and all other entities should apply these amendments for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Company does not expect the adoption of this guidance will have a material impact on its unaudited condensed consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05 (“ASU 2017-05”) to provide guidance for recognizing gains and losses from the transfer of nonfinancial assets and in-substance nonfinancial assets in contracts with non-customers, unless other specific guidance applies. The standard requires a company to derecognize nonfinancial assets once it transfers control of a distinct nonfinancial asset or distinct in substance nonfinancial asset. Additionally, when a company transfers its controlling interest in a nonfinancial asset, but retains a noncontrolling ownership interest, the company is required to measure any noncontrolling interest it receives or retains at fair value. The guidance requires companies to recognize a full gain or loss on the transaction. ASU 2017-05 is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The effective date of this guidance coincides with revenue recognition guidance. The Company does not expect that the adoption of this guidance will have a material impact on its unaudited condensed consolidated financial statements.

No other new accounting pronouncements issued or effective had, or are expected to have, a material impact on the Company’s consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of September 30, 2017, we were not subject to material market or interest rate risk.

Item 4. Controls and Procedures.*Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2017, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial and accounting officer have concluded that our disclosure controls and procedures were not effective as of September 30, 2017, due to our lack of experience being a public company and lack of professional staff with adequate knowledge of SEC's rules and requirements.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

The Company established a policy during the fiscal quarter ended June 30, 2017 that management will hire additional accounting personnel or use independent consultants to determine the proper accounting treatment of transactions to ensure that complicated transactions, such as equity financings, acquisitions, and business combinations, are recorded accurately. In May 2017, the Company hired a new Chief Financial Officer with the necessary skills and experience to help with the financial reporting process. In August 2017, the Company also hired a new accounting supervisor holding a CPA license to help with the financial reporting. The Company is also actively looking for an outside independent consultant to help with accounting treatment of more complicated transactions such as planned business acquisitions.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Rent Dispute

Ming's Supermarket, Inc. ("Ming"), the subsidiary of the Company, is a tenant at a building located at 140-148 East Berkeley Street, Boston, MA (the "Property"), pursuant to a lease dated September 24, 1999 (the "Lease"). The Lease had a 10-year initial term, followed by an option for two additional 10-year terms. Ming has exercised that first option and the Lease has approximately 15 years remaining to run if the second option is also exercised. The Lease also gives Ming a right of first refusal on any sale of the building.

On February 22, 2015, a sprinkler pipe burst in the Property. This caused the Inspectional Services Department of the City of Boston ("ISD") to inspect the Property. The ISD found a number of problems which have prevented further use of the Property. The ISD notified both landlord and tenant that the Property was only permitted for use as an elevator garage and that its use as a warehouse was never permitted and that a conditional use permit must be obtained from the City of Boston to make such use lawful. Moreover, the Property was found to have major structural issues requiring repair, as well as issues with the elevator and outside glass. The result of the ISD's findings are that Ming was ordered not to use the Property for any purpose unless and until the structural and other repairs are completed and its use as a warehouse is permitted by the Boston Zoning Board.

While the Lease provides that the elevator (approximate cost \$400,000) and glass repairs (approximate cost \$30,000) are the responsibility of the tenant, the structural repairs (approximate cost \$500,000) are the landlord's responsibility under the Lease, unless the structural damage was caused by the tenant's misuse of the Property. In this regard Ming has retained an expert who will testify the structural damage to the building was caused by long term water infiltration and is not the result of anything Ming did. Ming initially sought for the landlord to perform the structural repairs and agreed that upon completion of those repairs, Ming would repair the elevator and the broken glass. In addition, Ming asked the landlord to cooperate in permitting use of the Property as a warehouse.

The landlord refused to either perform structural repairs or to cooperate on the permitting. As a result, as of April 2015, Ming stopped paying the landlord rent, since it was barred from using the Property by order of the ISD. The landlord then sued Ming for breach of the Lease and unpaid rent and Ming counterclaimed for constructive eviction and for damages resulting from the landlord's breach of its duty to perform structural repairs under the Lease.

It would appear the landlord wishes to use the current circumstances to terminate the lease or to cause Ming to abandon it. The Lease is at considerably below market and impairs the landlord's ability to sell the Property for a high price. The landlord is claiming damages of approximately \$470,000 in unpaid rent and additional rent charges under the lease to date, plus for the cost of repairs. Ming is claiming damages in the amount of lost profits of \$20,000 to \$30,000 per month resulting from the loss of its warehouse space and for the landlord's failure to undertake its responsibilities under the lease. Ming's damages also include loss of the benefit of its below market lease. Ming is also seeking an order of the Court directing the landlord to perform the structural repairs.

The parties have been unable to agree on terms of a settlement and a trial was necessary to resolve this matter. The case was tried on August 21, 2017 and concluded on August 29, 2017 with a jury verdict in favor of the Company. The JURY VERDICT FORM issued on August 31, 2017 affirmed that the landlord breached the lease by failing to make the necessary structural repairs to the Premises and take responsibility to recover Ming's damages from the breach. After the jury verdict, the landlord filed an appeal immediately. The new verdict of this case was issued in the Company's favor on September 29, 2017. The judge awarded us double damages and attorney's fees in this case. That will result in a total judgment of \$1,590,000 including \$795,000 for damage compensation plus the attorneys' fees and interest and costs. In addition, the landlord was ordered to make repairs to the building with additional damaged of \$2,250 for each month until completed.

However, the landlord is planning to file another appeal shortly after the verdict based on our acknowledgement. No guaranties or predications can be made at this time as to ultimate final outcome of this case. The Company believes that the facts and the law are favorable for Ming's as to both its continuing liability for rent and its affirmative claim to recover damages.

Trade order dispute

A lawsuit has been filed against New York Mart Group, Inc. ("NYMG"), a subsidiary of iFresh, and New Sunshine Group, LLC ("New Sunshine"), by SKKR Trading, LLC ("Plaintiff") for breach of contract and failure to pay. The plaintiff is seeking from NYMG and New Sunshine for principal damages in the amount of \$116,878 representing the total amount of invoices Plaintiff is claiming pass due, penalty of \$256,000 for the past due invoices and attorney cost which was estimated to be \$80,000 to \$90,000.

The Plaintiff claimed that NYMG and New Sunshine failed to pay for a shrimp order. NYMG and New Sunshine have raised various defenses, most of which center on the arguments that NYMG and New Sunshine abandoned the Distribution Agreement and did not order, receive or benefit from the shrimp at issue. Rather, the shrimp was ordered by a tenant of NYMG, Hong Hai, who was a completely separate corporation than NYMG or New Sunshine.

The case went to trial on March 12 to 15, 2017. On April 17, 2017, the Court ruled in favor of Plaintiff and against NYMG and New Sunshine in the amount of \$385,492. NYMG hired a new law firm to appeal the case because it believes that there are new evidences and arguments that NYMG should not be held responsible for these damages. The appeal process will take approximately 1 year. During the appeal, NYMG will not be required to pay the amount under the Final Judgment. While discovery is ongoing and no guaranties or predications can be made at this time as to ultimate outcome, the Company and its attorney believe a fair estimate of the chance the Company will prevail on the appeal of the Final Judgment is approximately 50%.

Most recently on August 11, 2017, approximately \$196,000 in funds held in one of New York Mart's bank accounts at TD Bank was ordered by the Court to be frozen until the appeal has been concluded, after plaintiff trying to seize these funds as part of an effort to enforce the aforementioned judgement.

Once the appeal is concluded, the ownership of the \$196,000 will be determined. SKKR is not permitted to take any other action to enforce this judgment, including attempting to seize any other funds in the TD Bank accounts, any other funds, any assets owned by NYM. Accordingly, NYM is able to continue to use all bank accounts at TD Bank (with the exception of the frozen \$196,000 which has been set aside) without the threat of those accounts being seized by SKKR.

The principal shareholder of the Company, Mr. Long Deng, made a personal pledge to pay for the entire amount of the damage if the appeal is ruled against NYMG. The Company did not accrue any of this potential liability.

The Company evaluates contingencies on an ongoing basis and will establish loss provisions for matters in which losses are probable and the amount of loss can be reasonably estimated, and is not currently a party to any legal proceeding that management believes could have a material adverse effect on the Company's results of operations, cash flows or balance sheet.

Other Proceedings

On September 22, 2017, Weiqing Gao, a former employee of Strong America Limited, a subsidiary of the Company, filed a complaint against the Company and Mr. Long Deng, the Company's Chief Executive Officer, on behalf of herself and all similarly situated employees, in the United States District Court for the Eastern District of New York, alleging that the Company violated certain minimum wage and overtime pay laws. The Company was served with the complaint on October 16, 2017, and has not yet replied to the complaint. The complaint seeks payment of amounts allegedly due along with certain penalties, but does not allege the aggregate amount claimed. The Company intends to vigorously defend the suit.

On October 20, 2017, Jendo Ermi, LP, an entity that owns the property of one of the Company's stores, filed a summons and complaint against the Company alleging breach of contract for violating the terms of a lease agreement between the Company and the Plaintiff. The Company was served with the complaint on November 8, 2017, and has not yet replied to the complaint. The Complaint alleges damages of approximately \$312,000 and seeks those alleged damages plus court costs, legal fees and interest, along with cancellation of the lease. The Company intends to vigorously defend the suit.

Item 1A. Risk Factors.

There have been no changes with respect to risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended March 31, 2017. Investing in our common stock involves a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below and in our Annual Report on Form 10-K for the year ended March 31, 2017, under the caption "Risk Factors", our Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 2 of Part I of this Quarterly Report on Form 10-Q, our consolidated financial statements and related notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and our consolidated financial statements and related notes, as well as our Management's Discussion and Analysis of Financial Condition and Results of Operations and the other information in our Annual Report on Form 10-K for the year ended March 31, 2017. Readers should carefully review those risks, as well as additional risks described in other documents we file from time to time with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds from Registered Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosure.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.</u>
32	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

iFresh, Inc.

By: /s/ Long Deng
Long Deng
Chairman of the Board and
Chief Executive Officer
(Principal executive officer)

By: /s/ Alfred Chung-Chieh Ying
Alfred Chung-Chieh Ying
Chief Financial Officer
(Principal financial and accounting officer)

Date: November 14, 2017

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Long Deng, certify that:

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

Date: November 14, 2017

/s/ Long Deng

Long Deng
Chief Executive Officer
(Principal executive officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Alfred Chung-Chieh Ying, certify that:

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

Date: November 14, 2017

/s/ Alfred Chung-Chieh Ying

Alfred Chung-Chieh Ying
Chief Financial Officer
(Principal financial and accounting officer)

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

In connection with the Quarterly Report of iFresh, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: November 14, 2017

/s/ Long Deng

Long Deng
Chief Executive Officer
(Principal executive officer)

Date: November 14, 2017

/s/ Alfred Chung-Chieh Ying

Alfred Chung-Chieh Ying
Chief Financial Officer
(Principal financial and accounting officer)

