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 December 31, 2018

☐ **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	**82-066764**
(State or other jurisdiction of incorporation or organization)	(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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

As of February 14, 2019, 16,357,684 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, 2018
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

iFRESH INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2018 (UNAUDITED)	March 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,573,715	$ 640,915
Accounts receivable, net	4,111,371	4,903,340
Inventories, net	12,322,416	10,905,484
Prepaid expenses and other current assets	3,121,761	1,925,893
Total current assets	21,129,263	18,375,632
Advances to related parties	6,570,830	10,019,688
Property and equipment, net	20,409,626	17,818,805
Intangible assets, net	1,066,670	1,166,669
Security deposits	1,234,773	1,247,106
Deferred income taxes	-	313,832
Total assets	$ 50,411,162	$ 48,941,732
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 14,826,012	$ 15,561,956
Deferred revenue	600,392	326,459
Bank borrowings, current, net	21,668,093	17,044,486
Notes payable, current	105,974	135,203
Capital lease obligations, current	151,707	55,634
Accrued expenses	1,914,716	873,949
Taxes payable	-	1,606,504
Other payables, current	1,636,208	1,172,360
Total current liabilities	40,903,102	36,776,551
Notes payable, non-current	155,776	231,095
Capital lease obligations, non-current	452,992	70,724
Deferred rent	6,595,731	6,319,386
Other payables, non-current	91,100	78,500
Total liabilities	48,198,701	43,476,256
Commitments and contingencies		
Shareholders' equity		
Preferred shares, $.0001 par value, 1,000,000 shares authorized; none issued.	-	-
Common stock, $0.0001 par value; 100,000,000 shares authorized, 16,264,684 and 14,220,548 shares issued and outstanding as of December 31, 2018 and March 31, 2018, respectively	1,627	1,422
Additional paid-in capital	14,019,266	9,428,093
Accumulated deficit	(11,808,432)	(3,964,039)
Total shareholders' equity	2,212,461	5,465,476
Total liabilities and shareholders' equity	$ 50,411,162	$ 48,941,732

See accompanying notes to unaudit condensed consolidated financial statements

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

	For the three months ended		For the nine months ended	
	December 31 2018	December 31 2017	December 31 2018	December 31 2017
Net sales	$ 30,397,501	$ 33,702,943	$ 89,490,417	$ 94,595,598
Net sales-related parties	906,565	2,160,248	3,186,593	7,136,011
Total net sales	31,304,066	35,863,191	92,677,010	101,731,609
Cost of sales	22,610,419	24,696,520	66,665,211	69,164,715
Cost of sales-related parties	753,392	1,811,041	2,726,605	5,763,537
Retail Occupancy costs	2,276,924	1,834,247	6,118,410	5,670,852
Gross profit	5,663,331	7,521,383	17,166,784	21,132,505
Selling, general and administrative expenses	7,429,877	7,764,416	24,608,895	22,866,321
Loss from operations	(1,766,546)	(243,033)	(7,442,111)	(1,733,816)
Interest expense, net	(357,301)	(214,198)	(1,002,127)	(590,835)
Other income	321,538	133,526	913,678	1,352,941
Loss before income taxes	(1,802,309)	(323,705)	(7,530,560)	(971,710)
Income tax provision (benefit)	-	(39,061)	313,833	(302,635)
Net Loss	$ (1,802,309)	$ (284,644)	$ (7,844,393)	$ (669,075)
Net loss per share:				
Basic	$ (0.11)	$ (0.020)	$ (0.52)	$ (0.05)
Diluted	$ (0.11)	$ (0.020)	$ (0.52)	$ (0.05)
Weighted average shares outstanding:				
Basic	16,154,392	14,166,922	15,080,794	14,167,599
Diluted	16,154,392	14,166,922	15,080,794	14,167,599

See accompanying notes to unaudit condensed consolidated financial statements

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

	For the nine months ended December 31 2018	December 31 2017
Cash flows from operating activities		
Net loss	$ (7,844,393)	$ (669,075)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	1,432,173	1,277,863
Amortization expense	236,874	236,874
Share based compensation	837,354	297,536
Bad debt reserve	233,448	
Deferred income taxes (Benefit)	313,832	(302,636)
Changes in operating assets and liabilities:	-	
Accounts receivable	558,521	(2,626,729)
Inventories	(1,416,932)	(1,722,632)
Prepaid expenses and other current assets	(1,195,868)	(1,035,249)
Security deposits	12,333	(140,745)
Accounts payable	(735,941)	4,106,779
Deferred revenue	273,933	(67,708)
Accrued expenses	1,040,767	145,551
Taxes payable	(1,606,504)	(373,681)
Deferred rent	276,345	811,206
Other liabilities	476,446	(4,191,017)
Net cash used in operating activities	(7,107,612)	(4,253,663)
Cash flows from investing activities		
Cash advances to (received from) related parties	(1,341,521)	2,254,227
Cash received from repayment of related party receivables	4,790,380	-
Acquisition of property and equipment	(3,441,064)	(2,435,012)
Cash proceeds from acquisition of Ecompass	-	
Net cash provided by (used in) investing activities	7,795	(180,785)
Cash flows from financing activities		
Borrowings against Term loan	3,950,000	1,050,000
Borrowings against lines of credit	1,750,000	3,200,000
Repayments on term loan	(1,213,268)	-
Repayments on lines of credit borrowings	-	(993,835)
Repayments on notes payable	(104,548)	(397,335)
Payments on capital lease obligations	(103,588)	(72,378)
Net proceeds received from issuance of stock	3,754,021	-
Net cash provided by financing activities	8,032,617	2,786,452
Net increase (decrease) in cash and cash equivalents	932,800	(1,647,996)
Cash and cash equivalents at beginning of the period	640,915	2,550,819
Cash and cash equivalents at the end of the period	$ 1,573,715	$ 902,823
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 985,771	$ 541,134
Cash paid for income taxes	$ 1,606,504	$ -
Supplemental disclosure of non-cash investing and financing activities		
Capital expenditures funded by capital lease obligations and notes payable	$ 779,837	$ 249,411

See accompanying notes to unaudit condensed consolidated financial statements

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

1. Organization and Description of Business

iFresh (herein referred to collectively with its subsidiaries 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. Liquidity and Going Concern

As reflected in the Company's unaudited condensed consolidated financial statements, the Company had operating losses for the nine months ended December 31, 2018 and 2017 and for the fiscal years ended March 31 2018 and 2017. The Company had negative working capital of $19.8 million and $18.4 million as of December 31, 2018 and March 31, 2018, respectively. The Company did not meet the financial covenants required in the credit agreement with KeyBank National Association ("KeyBank") as of December 31, 2018 and March 31, 2018. As of December 31, 2018, the Company has outstanding loan facilities of approximately $21.7 million due to KeyBank. Failure to maintain these loan facilities will have a significant impact on the Company's operations.

In assessing its liquidity, management monitors and analyzes the Company's cash on-hand, its ability to generate sufficient revenue sources in the future, and its operating and capital expenditure commitments. iFresh had funded working capital and other capital requirements in the past primarily by equity contributions from shareholders, cash flow from operations, and bank loans. As of December 31, 2018, the Company also has $6.6 million of advances to and receivables from related parties that the Company intends to collect or use to offset potential future acquisitions. The Company also plans to issue additional stock in lieu of cash as part of potential future acquisitions and raise additional capital through sales of Company stock if necessary.

Although the Company has been timely repaying the KeyBank facility in accordance with its terms, the Company was in default under the Credit Agreement as of December 31, 2018 and March 31, 2018. Specifically, the financial covenants of the Credit Agreement require the Company to maintain a senior funded debt to earnings before interest, tax, depreciation and amortization ("EBITDA") ratio for the trailing 12 month period of less than 3.00 to 1.00 at the last day of each fiscal quarter. As of December 31, 2018 and March 31, 2018, this ratio was greater than 3.00 to 1.00, and the Company was therefore not in compliance with the financial covenants of the KeyBank loan. KeyBank has notified the Company that it has not waived the default and reserves all of its rights, power, privileges, and remedies under the Credit Agreement. KeyBank has not yet acted to accelerate payment of the facility.

The Company's principal liquidity needs are to meet its working capital requirements, operating expenses, and capital expenditure obligations. The Company's ability to fund these needs will depend on its future performance, which will be subject in part to general economic, competitive, and other factors beyond its control. In particular, the Company remains in noncompliance with the financial covenants of the KeyBank loan. These conditions continue to raise substantial doubt as to the Company's ability to remain a going concern.

3. 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 and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

The unaudited interim financial information as of December 31, 2018 and for the three and nine months ended December 31, 2018 and 2017 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, 2018.

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.

4. 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 include, but are not limited to: allowance for estimated uncollectible receivables, inventory valuations, allowance for deferred tax assets, lease assumptions, impairment of long-lived assets, impairment of intangible assets, and income taxes. Actual results could differ from those estimates.

Restricted Cash

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

Accounts Receivable

Accounts receivable 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 December 31, 2018 and March 31, 2018. 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 unaudited condensed 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 non-financial 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 December 31, 2018 and March 31, 2018, 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

In accordance with Topic 606 revenue is recognized at the time the sale is made, at which time our walk-in customers take immediate possession of the merchandise or delivery is made to our wholesale customers. Payment terms are established for our wholesale customers based on the Company's pre-established credit requirements. Payment terms vary depending on the customer. Based on the nature of receivables, no significant financing components exist. Sales are recorded net of discounts, sales incentives and rebates, sales taxes and estimated returns and allowances. We estimate the reduction to sales and cost of sales for returns based on current sales levels and our historical return experience.

Topic 606 defines a performance obligation as a promise in a contract to transfer a distinct good or service to the customer and is considered the unit of account. The majority of our contracts have one single performance obligation as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct.

We had no material contract assets, contract liabilities, or costs to obtain and fulfill contracts recorded on the unaudited Condensed Consolidated Balance Sheet as of December 31, 2018. For the nine months ended December 31, 2018, revenue recognized from performance obligations related to prior periods was insignificant.

Revenue expected to be recognized in any future periods related to remaining performance obligations is insignificant.

The following table summarizes disaggregated revenue from contracts with customers by product group:

	For the Nine months Ended	
	December 31, 2018	December 31, 2017
Grocery	$ 36,561,550	$ 40,976,339
Perishable goods	56,115,460	60,755,270
Total	$ 92,677,010	$ 101,731,609

	For the Three Months Ended	
	December 31, 2018	December 31, 2017
Grocery	$ 11,333,857	$ 14,752,728
Perishable goods	19,970,209	21,110,463
Total	$ 31,304,066	$ 35,863,191

Business combination involving entities under common control

The Company accounted for business acquisitions involving entities under common control 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. In addition, these transactions comply with the requirement in ASC 805-50-45-1 through 45-5 whereby the financial statements of the receiving entity report results of operations for the period in which the transfer occurs as though the transfer of net assets or exchange of equity interests had occurred at the beginning of the period. Results of operations for that period will thus comprise those of the previously separate entities combined from the beginning of the period to the date the transfer is completed and those of the combined operations from that date to the end of the period.

Financial statements and financial information presented for prior years also shall be retrospectively adjusted to furnish comparative information.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the Consolidated Balance Sheets for fiscal year ended March 31, 2018, to reclassify the long-term portion of bank loan of $15,740,733 to a short term loan due to the fact that the Company was not in compliance with the loan covenant as of March 31, 2018. This change in classification does not affect the previously reported total liability of the Company as of March 31, 2018.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), Leases (Topic 842). ASU 2016-02 requires a lessee to record a right-of-use asset and a corresponding lease liability, initially measured at the present value of the lease payments, on the balance sheet for all leases with terms longer than 12 months, as well as the disclosure of key information about leasing arrangements. ASU 2016-02 requires recognition in the statement of operations of a single lease cost, calculated so that the cost of the lease is allocated over the lease term. ASU 2016-02 requires classification of all cash payments within operating activities in the statement of cash flows. Disclosures are required to provide the amount, timing and uncertainty of cash flows arising from leases. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. The Company does not expect the adoption of this guidance will have a material impact on its unaudited condensed consolidated financial statements.

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, "Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets" to clarify the scope of Subtopic 610-20 and to add guidance for partial sales of nonfinancial assets. Subtopic 610-20, which was issued in May 2014 as a part of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. For all other entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Company does not expect that adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, "Scope of Modification Accounting," which amends the scope of modification accounting for share-based payment arrangements, provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. For all entities, the ASU is effective for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period. The Company does not expect that adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures. In January 2017, the FASB issued ASU 2017-01, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The standard will be effective for us in the first quarter of our fiscal 2019. The Company does not expect that adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-07, "Improvements to Nonemployee Share-Based Payment Accounting," which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The changes take effect for public companies for fiscal years starting after December 15, 2018, including interim periods within that fiscal year. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company expects that the adoption of this ASU would not have a material impact on the Company's 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.

5. Accounts Receivable

A summary of accounts receivable, net is as follows:

	December 31, 2018	March 31, 2018
Customer purchases	$ 4,113,715	$ 4,643,922
Credit card receivables	336,828	332,136
Food stamps	58,518	101,105
Others	50,026	30,945
Total accounts receivable	4,559,087	5,108,108
Allowance for bad debt	(447,716)	(204,768)
Accounts receivable, net	$ 4,111,371	$ 4,903,340

6. Inventories

A summary of inventories, net is as follows:

	December 31, 2018	March 31, 2018
Non-perishables	$ 10,455,989	$ 9,206,442
Perishables	1,947,493	1,798,970
Inventories	12,403,482	11,005,412
Allowance for slow moving or defective inventories	(81,066)	(99,928)
Inventories, net	$ 12,322,416	$ 10,905,484

7. Advances and receivables - related parties

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

Entities	December 31, 2018	March 31, 2018
New York Mart, Inc.	$ -	$ 838,096
Pacific Supermarkets Inc.	798,329	1,151,338
NY Mart MD Inc.	1,803,051	3,709,493
iFresh Harwin Inc.	-	557,262
Advances - related parties	$ 2,601,380	$ 6,256,189
New York Mart, Inc.	605,263	1,021,572
Pacific Supermarkets Inc.	132,899	210,450
NY Mart MD Inc.	2,980,678	2,290,197
iFresh Harwin Inc	250,610	241,280
Receivables – related parties	3,969,450	3,763,499
Total advances and receivables – related parties	$ 6,570,830	$ 10,019,688

The Company has advanced funds to related parties and accrued accounts receivable from related parties with the intention of converting some of these advances and receivables into deposits towards the purchase price of these entities in the planned acquisitions of some of these related parties, which are directly or indirectly owned, in whole or in part, by Mr. Long Deng, the majority shareholder and Chief Executive Officer of the Company. Accounts receivable due from 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.

8. Property and Equipment

	December 31, 2018	March 31, 2018
Furniture, fixtures and equipment	$ 19,773,657	$ 17,190,356
Automobiles	2,157,240	2,125,874
Leasehold improvements	8,639,522	7,234,484
Software	6,735	6,735
Total property and equipment	30,577,154	26,557,449
Accumulated depreciation and amortization	(10,167,528)	(8,738,644)
Property and equipment, net	$ 20,409,626	$ 17,818,805

Depreciation expense for the nine months ended December 31, 2018 and 2017 was $1,432,173 and $1,277,863, respectively. For the three months ended December 31, 2018 and 2017, the depreciation expense was $488,688 and $445,196, respectively.

9. Intangible Assets

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

	Balance at March 31, 2018	Additions	Balance at December 31, 2018
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	$ (1,333,331)	$ (99,999)	$ (1,433,330)
Intangible assets, net	$ 1,166,669	$ (99,999)	$ 1,066,670

Amortization expense was $99,999 and $99,999 for the nine months ended December 31, 2018 and 2017, respectively. For the three months ended December 31, 2018 and 2017, amortization expense was $33,333 and $33,333, respectively. Future amortization associated with the net carrying amount of definite-lived intangible assets is as follows:

Year Ending December 31,	
2019	$ 133,333
2020	133,333
2021	133,333
2022	133,333
2023	133,333
Thereafter	400,005
Total	$ 1,066,670

10. Debt

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

	December 31, 2018	March 31, 2018
Revolving Line of Credit - KeyBank National Association	$ 4,950,000	3,200,000
Delayed Term Loan - KeyBank National Association	4,619,983	997,500
Term Loan - KeyBank National Association	12,648,610	13,531,361
Less: Deferred financing cost	(547,500)	(684,375)
Total (a)	21,668,093	17,044,486

(a) Because the Company is not in compliance with the financial covenants of the KeyBank loans, the loan balance due after one year from the balance sheet date has been reclassified as short-term liability.

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

On December 23, 2016, a wholly-owned subsidiary of the Company, NYM Holding, Inc. ("NYM"), as borrower, entered into a $25 million senior secured Credit Agreement (the "Credit Agreement") with KeyBank National Association ("KeyBank" 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%. The termination date of the revolving credit and the maturity date of the term loans are both 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. As of December 31, 2018, the Company had used $4,950,000 of the revolving line of credit.

In January 2017, the Lender had fully funded $15,000,000 of the term loan. 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. The $5 million Delayed Draw Term Loan has been fully made to acquire iFresh E. Colonial, Inc. and support the Company's daily operations.

The senior secured credit facility is secured by all the Company's assets and is jointly guaranteed by the Company and the Company's subsidiaries and contains financial and restrictive covenants. The financial covenants require NYM to deliver audited consolidated financial statements within one hundred twenty days after each fiscal year end and to maintain a fixed charge coverage ratio not less than 1.1 to 1.0 and a 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, assuming KeyBank does not act to accelerate payment under this credit facility:

Year Ending December 31	
2019	$ 1,470,116
2020	1,747,914
2021	1,787,457
2022	16,662,606
Total	$ 21,668,093

Although the Company has been timely repaying the KeyBank facility in accordance with its terms, the financial covenants of the KeyBank loan require NYM to maintain a senior funded debt to EBITDA ratio of less than 3.00 to 1.00 at the last day of each fiscal quarter. As of December 31, 2018 and March 31, 2018, the Company's senior funded debt to EBITDA ratio was greater than 3.00 to 1.00, and the Company was therefore not in compliance with the financial covenants of the KeyBank loan.

11. Notes Payable

Notes payables consist of the following:

	December 31, 2018	March 31, 2018
Hitachi Capital America Corp.		
Secured by vehicle, 6.99%, principal and interest of $2,170 due monthly through March 10, 2019	6,436	25,083
Triangle Auto Center, Inc.		
Secured by vehicle, 4.02%, principal and interest of $890 due monthly through January 28, 2021	21,252	28,498
Colonial Buick GMC		
Secured by vehicle, 8.64%, principal and interest of $736 due monthly through February 1, 2020	9,764	15,535
Isuzu Finance of America, Inc.*		
Secured by vehicle, 6.99%, principal and interest of $2,200 due monthly through October 1, 2018	-	15,045
Koeppel Nissan, Inc.		
Secured by vehicle, 3.99%, principal and interest of $612 due monthly through January 18, 2021	14,620	19,612
Secured by vehicle, 0.9%, principal and interest of $739 due monthly through March 14, 2020	11,021	17,573
Secured by vehicle, 7.86%, principal and interest of $758 due monthly through September 1, 2022	27,166	32,216
Silver Star Motors		
Secured by vehicle, 4.22%, principal and interest of $916 due monthly through June 1, 2021	26,029	34,112
BMO		
Secured by vehicle, 5.99%, principal and interest of $1,924 due monthly through July 1, 2020	55,144	68,047
Wells Fargo		
Secured by vehicle, 4.01%, principal and interest of $420 due monthly through December 1, 2021	14,596	17,516
Toyota Finance		
Secured by vehicle, 0%, principal and interest of $632 due monthly through August, 2022	27,826	33,517
Secured by vehicle, 4.87%, principal and interest of $761 due monthly through July, 2021	25,928	31,621
Secured by vehicle, 0%, principal and interest of $633 due monthly through April 1, 2022	21,968	27,924
Total Notes Payable	$ 261,750	$ 366,298
Current notes payable	(105,974)	(135,203)
Long-term notes payable, net of current maturities	$ 155,776	$ 231,095

*The amount is fully repaid upon maturity

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 December 31,		
2019	$	105,974
2020		89,663
2021		54,024
2022		12,089
Total	$	261,750

12. Capital lease obligations

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

		December 31, 2018		March 31, 2018
Capital lease obligations:				
Current	$	151,707	$	55,634
Long-term		452,992		70,724
Total obligations	$	604,699	$	126,358

Interest expense on capital lease obligations for the nine months ended December 31, 2018 and 2017 amounted to $34,259 and $6,213, respectively. For the three months ended December 31, 2018 and 2017, amounted to $10,013 and $2,254 respectively.

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

Year Ending December 31,		
2019	$	199,182
2020		175,103
2021		153,765
2022		146,831
2023		46,767
Total minimum lease payments		721,648
Less: Amount representing interest		(116,949)
Total	$	604,699

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 tables present summary information by segment for the three and nine months ended December 31, 2018 and 2017, respectively:

	Nine months ended December 31, 2018		
	Wholesale	**Retail**	**Total**
Net sales	$ 13,940,908	$ 78,736,102	$ 92,677,010
Cost of sales	10,469,830	58,921,986	69,391,816
Retail occupancy costs	-	6,118,410	6,118,410
Gross profit	$ 3,471,078	$ 13,695,706	$ 17,166,784
Interest expense, net	$ (11,334)	$ (990,793)	$ (1,002,127)
Depreciation and amortization	$ 181,380	$ 1,487,667	$ 1,669,047
Capital expenditures	$ 28,613	$ 4,192,288	$ 4,220,901
Segment income (loss) before income tax provision (benefit)	$ 36,983	$ (7,567,539)	$ (7,530,556)
Income tax provision (benefit)	$ 43,831	$ 270,002	$ 313,833
Segment assets	$ 11,236,146	$ 39,175,016	$ 50,411,162

	Nine months ended December 31, 2017		
	Wholesale	**Retail**	**Total**
Net sales	$ 20,426,869	$ 81,304,740	$ 101,731,609
Cost of sales	15,600,495	59,327,757	74,928,252
Retail occupancy costs	-	5,670,852	5,670,852
Gross profit	$ 4,826,374	$ 16,306,131	$ 21,132,505
Interest expense, net	$ (20,490)	$ (570,345)	$ (590,835)
Depreciation and amortization	$ 189,396	$ 1,325,341	$ 1,514,737
Capital expenditure	$ 60,712	$ 2,623,711	$ 2,684,423
Segment income before income tax provision	$ 665,940	$ (1,637,651)	$ (971,710)
Income tax provision (benefit)	$ 243,701	$ (546,336)	$ (302,635)
Segment assets	$ 12,605,082	$ 36,404,816	$ 49,009,898

The following tables present summary information by segment for the three months ended December 31, 2018 and 2017, respectively:

	Three months ended December 31, 2018		
	Wholesale	Retail	Total
Net sales	$ 4,323,321	$ 26,980,745	$ 31,304,066
Cost of sales	3,129,400	20,234,411	23,363,811
Retail occupancy costs	-	2,276,924	2,276,924
Gross profit	$ 1,193,921	$ 4,469,410	$ 5,663,331
Interest expense, net	$ (3,368)	$ (353,933)	$ (357,301)
Depreciation and amortization	$ 63,990	$ 526,469	$ 590,459
Capital expenditures	$ 10,300	$ 510,228	$ 520,528
Segment loss before income provision (benefit)	$ (95,459)	$ (1,706,850)	$ (1,802,309)
Income tax provision	$ -	$ -	$ -
Segment assets	$ 11,236,146	$ 39,175,016	$ 50,411,162

	Three months ended December 31, 2017		
	Wholesale	Retail	Total
Net sales	$ 7,670,169	$ 28,193,022	$ 35,863,191
Cost of sales	5,802,969	20,704,592	26,507,561
Retail occupancy costs	-	1,834,247	1,834,247
Gross profit	$ 1,867,200	$ 5,654,183	$ 7,521,383
Interest expense, net	$ (2,332)	$ (212,120)	$ (214,452)
Depreciation and amortization	$ 58,562	$ 465,592	$ 524,154
Capital expenditure	$ 38,117	$ 407,355	$ 445,472
Segment income before income provision (benefit)	$ 236,372	$ (560,078)	$ (323,706)
Income tax provision	$ 20,325	$ (59,387)	$ (39,061)
Segment assets	$ 12,605,082	$ 36,404,816	$ 49,009,898

14. Income Taxes

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

NYM was incorporated on December 30, 2014, and is taxed as a corporation for income tax purposes. NYM has adopted a tax-year end of March 31. 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 their parent, NYM.

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

The Company had approximately $9,959,639 and $2,429,079 of U.S. NOL carry forward as of December 31, 2018, and March 31, 2018, respectively. For income tax purpose, those NOLs will expire in the years 2031 through 2037.

Based upon management's assessment of all available evidence, the Company believes that it is more likely than not that some or all of the deferred tax assets will not be realized, and therefore, a full valuation allowance is established for deferred tax assets. The valuation allowance for deferred tax assets was $3,839,327 and $486,730 as of December 31, 2018, and March 31, 2018, respectively.

Income Tax Provision (Benefit)

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

	For the nine months ended December 31	
	2018	**2017**
Current:		
Federal	$ -	$ -
State	-	-
	-	-
Deferred:		
Federal	235,375	(195,102)
State	78,458	(107,533)
	313,833	(302,635)
Total	$ 313,833	$ (302,635)

Tax Rate Reconciliation

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

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Expected tax at U.S. statutory income tax rate	21%	34%
State and local income taxes, net of federal income tax effect	14%	14%
Other non-deductible fees and expenses	3%	1%
Change of deferred tax reserve	(44.5%)	(19%)
Other	2.3%	1%
Effective tax rate	(4.2%)	31%

Deferred Taxes

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

	December 31, 2018	March 31, 2018
Deferred Tax Assets/ (Liabilities):		
Deferred expenses	$ 522,987	$ 68,124
Sec 263A Inventory Cap	155,676	189,100
Deferred rent	1,824,730	1,983,213
Depreciation and amortization	(1,303,996)	(1,971,247)
Net operating losses	2,639,930	531,372
Valuation allowance	(3,839,327)	(486,730)
Net Deferred Tax Assets	$ -	$ 313,832

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 nine months ended December 31, 2018, and December 31, 2017, respectively, to related parties that are owned directly or indirectly, in whole or in part, by Mr. Long Deng, the Company's majority shareholder and Chief Executive Officer, and not eliminated in the unaudited condensed consolidated financial statements. In addition, the outstanding receivables due from these related parties as of December 31, 2018 and March 31, 2018 are included in Note 7, Advances and receivables – related parties (see Note 7).

Nine months ended December 31, 2018

Related Parties	Management Fees	Advertising Fees	Non-Perishable & Perishable Sales
New York Mart, Inc.	$ 11,651	$ 880	$ 193,741
Pacific Supermarket Inc.	77,998	14,040	1,314,938
NY Mart MD Inc.	72,119	10,920	1,622,255
New York Mart El Monte Inc.	4,944	1,600	-
iFresh Harwin Inc.	2,862	2,600	9,677
Spring Farm Inc.	3,702	-	2,708
Spicy Bubbles, Inc.	-	-	-
NYM Tampa Seafood Inc.	550		-
Pine Court Sunrise, Inc.	-	-	43,274
Elhurst	8,877	860	-
	$ 182,703	$ 30,900	$ 3,186,592

Nine months ended December 31, 2017

Related Parties	Management Fees	Advertising Fees	Non-Perishable & Perishable Sales
New York Mart, Inc.	$ 42,756	$ 28,028	$ 1,656,862
Pacific Supermarkets Inc.	62,440	30,368	2,606,133
NY Mart MD Inc.	43,721	7,171	2,442,017
El Monte	8,868	800	105,177
iFresh Harwin Inc	4,240	800	141,377
Spring Farm Inc.	-	-	4,798
Spicy Bubbles, Inc.	-	-	59,395
Pine Court Chinese Bistro	-	-	120,252
	$ 162,025	$ 67,167	$ 7,136,011

The following is a detailed breakdown of significant management fees, advertising fees, and sale of products for the three months ended December 31, 2018, and December 31, 2017, respectively, to related parties.

Three months ended December 31, 2018

Related Parties	Management Fees	Advertising Fees	Non-Perishable & Perishable Sales
New York Mart, Inc.	$ -	$ -	$ -
Pacific Supermarket Inc.	21,945	1,530	295,344
NY Mart MD Inc.	32,836	3,560	600,776
Pine Court Sunrise, Inc.	-	-	9,647
Elhurst	8,877	860	
Spring Farm Inc.	3,702		797
	$ 67,360	$ 5,950	$ 906,564

Three months ended December 31, 2017

Related Parties	Management Fees	Advertising Fees	Non-Perishable & Perishable Sales
New York Mart, Inc.	$ 15,845	$ 5,770	$ 565,816
Pacific Supermarkets Inc.	22,237	6,550	749,033
NY Mart MD Inc.	16,704	2,080	755,178
El Monte	5,575	800	17,673
iFresh Harwin Inc	4,240	800	44,445
Spring Farm Inc.	-	-	607
Spicy Bubbles, Inc.	-	-	6,768
Pine Court Chinese Bistro	-	-	20,728
	$ 64,601	$ 16,000	$ 2,160,248

Long-Term Operating Lease Agreement with a Related Party

The Company leases warehouse and stores from related parties that are owned directly or indirectly, in whole or in part, by Mr. Long Deng, the Company's majority shareholder and Chief Executive Officer. Rent incurred to the related party was $877,381 and $877,381 for the nine months ended on December 31, 2018 and 2017, respectively, and $292,460. and $523,381 for the three months ended on December 31, 2018 and 2017, respectively.

16. Operating Lease Commitments

The Company leases retail stores, offices, and warehouse buildings. These leases have an average remaining lease term of approximately 9 years as of December 31, 2018.

Rent expense charged to operations under operating leases in the nine months ended on December 31, 2018 and 2017 amounted to $6,118,410 and $5,670,852, respectively, and $2,276,924 and $1,834,247 for the three months ended December 31, 2018 and 2017, respectively.

Future minimum lease obligations for operating leases with initial terms in excess of one year as of December 31, 2018 are as follows:

	Non-related parties	Related party	Total
2019	$ 7,364,509	$ 1,505,891	$ 8,870,400
2020	7,493,114	1,595,067	9,088,181
2021	7,208,124	1,623,333	8,830,457
2022	7,315,813	1,666,607	8,982,420
2023	7,097,124	1,678,768	8,775,892
Thereafter	46,875,356	10,655,505	57,530,861
Total payments	$ 83,354,040	$ 18,724,171	$ 102,078,211

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.

Leo J. Motsis, as Trustee of the 140-148 East Berkeley Realty Trust v. Ming's Supermarket, Inc.

Ming's Supermarket, Inc. ("Ming"), a subsidiary of the Company, is a tenant at a building located at 140-148 East Berkeley Street, Boston, Massachusetts (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 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 that 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 were that Ming was ordered not to use the Property for any purpose unless and until the structural and other repairs were completed and its use as a warehouse was 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. Ming retained an expert who concluded the structural damage to the building was caused by long-term water infiltration and was 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 began withholding rent, since Ming 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.

The case was tried before a jury in August 2017. The jury awarded Ming judgment against the landlord in the amount of $795,000, plus continuing damages of $2,250 per month until the structural repairs were completed. The court found that the landlord's actions violated the Massachusetts unfair and deceptive acts and practices statute and therefore doubled the amount of damages to $1,590,000 and further ruled that Ming should also recover costs and attorneys' fees of approximately $250,000. The judgment required the landlord to repair the premises and obtain an occupancy permit. The landlord was responsible to Ming for damages in the amount of $2,250 per month until an occupancy permit was is issued. The judgment also accrues interest at the rate of 12% per year until paid.

The landlord filed a Notice of Appeal, which will delay ultimate resolution of this matter for potentially one year or more. Ming has filed a lien against the landlord's real estate as security for the judgment.

On May 31, 2018, the ISD issued an occupancy permit, triggering Ming's requirement to resume regular rental payments. Ming paid rent for June 2018 to the landlord. The result is a judgment in favor of Ming and against the landlord that will total approximately $1.85 million.

No guaranties or predictions can be made at this time as to ultimate outcome of this case.

SKKR Trading LLC d/b/a 38 Live Bait v. New Sunshine Group LLC and New York Mart Group Inc.

A lawsuit was filed against New York Mart Group, Inc. ("NYMG"), a subsidiary of iFresh, and New Sunshine Group, LLC ("New Sunshine") by SKKR Trading, LLC ("SKKR") for breach of contract. SKKR sought from NYMG and New Sunshine damages for allegedly unpaid invoices in the amount of $116,878, a penalty of $256,000, and attorney's fees of $80,000 to $90,000.

SKKR claimed that NYMG and New Sunshine failed to pay for an order of shrimp. NYMG and New Sunshine raised various defenses, most of which centered 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, which was a completely separate entity from NYMG or New Sunshine.

On March 7, 2017, the trial court entered an order granting SKKR attorneys' fees in the amount of $40,654. The case went to trial on March 12 to 15, 2017. On April 17, 2017, the Count entered a judgment for Plaintiff against NYMG and New Sunshine in the amount of $385,471, plus interest. On September 26, 2017, the trial court entered judgment in favor of SKKR requiring NYMG and New Sunshine to pay SKKR's attorneys' fees and legal costs in the amount of $122,206, plus interest. NYMG appealed the judgment.

Most recently, on October 26, 2018, the appellate court affirmed the trial court's judgment in favor of SKKR and also granted SKKR's attorneys' fees incurred during the appeal. The trial court will determine the amount of SKKR's appellate attorneys' fees. The Company accrued $500,000 for the potential loss and expense associated with this case.

Jendo Ermi, LP v. iFresh Inc.; iFresh Inc. v. Jendo Ermi LP

On October 20, 2017, Jendo Ermi, LP filed an unlawful detainer action against iFresh, Inc. (Los Angeles Superior Court Case No.: KC069728). The case involved a dispute over property leased to iFresh, Inc. to operate a grocery store in El Monte, California. Jendo Ermi, LP claimed that iFresh, Inc. had not properly paid rents as required by the lease. On March 29, 2018, the court entered judgment in favor of Jendo and against iFresh for possession of the Premises, forfeiture of the lease, and damages in the preliminary amount of $309,009, with the final amount to be determined by the court. On April 23, 2018, iFresh filed a Notice of Appeal of the judgment. On April 26, 2018, the court entered an amended judgment in favor of Jendo and against iFresh for possession of the Premises, forfeiture of the lease, and damages in the amount of $952,692, with attorneys' fees and costs to be determined by the court.

On August 27, 2017, iFresh, Inc. filed a complaint against Jendo Ermi, LP for, among other things, fraud and breach of contract associated with the lease (Los Angeles Superior Court Case No.: BC684617). iFresh, Inc. alleged that Jendo Ermi (1) overstated the square footage of the property to obtain higher rents; (2) failed to provide certain furniture, fixtures, and equipment (FF&E) valued at approximately $300,000 that were promised under the lease; and (3) failed to disclose that parts of the building were not habitable.

On May 31, 2018, the Company entered into a settlement agreement with Jendo Ermi, LP whereby iFresh agreed to transfer possession of the premises to Jendo and pay Jendo the total amount of $652,039 in satisfaction of all disputes between the parties. The Company timely transferred possession of the premises to Jendo. A third party, timely paid the full settlement amount on behalf of iFresh. Pursuant to the parties' settlement agreement, iFresh dismissed with prejudice its action against Jendo and dismissed its appeal of the unlawful detainer judgment. Pursuant to the parties' settlement agreement, Jendo filed an Acknowledgment of Satisfaction of Judgment with respect to the unlawful detainer judgment on November 6, 2018 and released the Company from any claims related to this transaction.

HDH, LLC v. New York Mart Group Inc.

A subsidiary of the Company, New York Mart Group, Inc., entered into a lease with HDH, LLC for a warehouse located at 55-01 2nd Street, Long Island City, New York 11101 for the period March 15, 2011 through February 28, 2021. The landlord sued the tenant for breaching the lease by altering the premises without the landlord's permission and without obtaining necessary government permits. The landlord also sued the tenant for failing to pay rent and additional rent. The trial court entered a judgment on September 28, 2018. The landlord claims it is entitled to $210,062 in damages. New York Mart Group Inc. filed a notice of appeal on October 25, 2018. The appeal might take 1 to 2 years. The Company has accrued $200,000 for the potential loss and expense associated with this case.

18. Subsequent events

On January 23, 2019, Mr. Long Deng (the "Seller"), CEO and a director of the Company, a company duly organized under the laws of state of Delaware and HK Xu Ding Co. Limited (the "Purchaser"), a Hong Kong limited liability company, entered into a share purchase agreement (the "Agreement"), pursuant to which Purchaser agreed to purchase from the Seller an aggregate of 8,294,989 restricted shares ("Shares") of Common Stock of the Company, representing 51% of the total issued and outstanding shares of the Company as of December 31, 2018. The total consideration for the Shares is $7,050,740.65 of cash ("Purchase Price") based on a per share price of $0.85. The transaction contemplated by the Agreement shall complete upon satisfaction of all closing conditions including but not limited to Purchaser's payment of the Purchase Price and Seller's delivery of all documents to effectuate the transfer of the Shares. On February 8, 2019, the deal was closed. The Seller sold an aggregate of 8,294,989 shares of Common Stock to the Purchaser for an aggregate sales price of $7,050,740.65, pursuant to the Agreement.

On February 7, 2019, the Company received a notice from Keybank indicating Keybank does not consent to the transaction contemplated by the Share Purchase Agreement by and between Long Deng and HK Xu Ding Co. Limited and that the monthly principal and interest payment amount shall be adjusted to $155,872.35 to fully amortize the current outstanding principal balance of the loan over the number of months remaining on the original ten year amortization period at the interest rate now in effect. Keybank also indicated that as a result of the events of default occurred so far, effective March 1, 2019, interest will accrue on all loans at the default rate.

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

Forward-Looking Statements

This report 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 an 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 customers' unique consumption habits. iFresh currently has nine retail supermarkets across New York, Massachusetts and Florida, with in excess of 6,920,500 sales transactions in its stores in the fiscal year ended March 31, 2018. 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 retail grocers 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.

Outlook

iFresh's net sales were $92.7 million and $101.7 million for the nine months ended December 31, 2018 and 2017, respectively. In terms of sales by category, Perishables constituted approximately 60.5% of the total sales for the nine months ended December 31, 2018. iFresh's net loss was $7.8 million for the nine months ended December 31, 2018, an increase of $7.2 million, or 1072%, from $669,075 of net loss for the nine months ended December 31, 2017. Adjusted EBITDA was ($4.9 million) for the nine months ended December 31, 2018, a decrease of $6.0 million, or 529%, from $1.1 adjusted EBITDA for the nine months ended December 31, 2017.

Factors Affecting iFresh's Operating Results

The following is a non-exclusive list of factors that may affect iFresh's operating results.

Seasonality

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

Competition

The Company faces competition from other Asian supermarkets. In 2018, two of our stores located in Boston and New York experienced significantly decreased sales due to competition from newly opened grocery stores. iFresh's management believes that this impact is temporary and expects sales to rebound.

Payroll

Minimum wage rates in some states increased. For example, the minimum wage rose from $13 to $15 per hour in New York City. Payroll and related expenses decreased by $2.2 million, or 17% for the nine months ended December 31, 2018 as compared to the same period last year as a result of workforce reductions to reduce costs.

Vendor and Supply Management

iFresh believes that a centralized and efficient vendor and supply management system is a key to profitability. iFresh operates its own wholesale facilities, which supplied about 22% of iFresh's retail stores' procurement for the fiscal year ended December 31, 2018. iFresh believes that its centralized vendor management may enhance iFresh's negotiating power and improve its ability to turn over inventory and vendor payables. Any changes to iFresh's vendor and supply management system 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 completion. Significant maintenance or renovation would affect our operations and operating results. As of December 31, 2018, three iFresh stores are under renovation and have not opened yet. iFresh incurred $886,640 in expenses for these three stores for the year ended December 31 , 2018. Because these stores are being renovated, they have not yet generated any sales.

Store Acquisitions and Openings

iFresh expects new stores it acquires or opens to be the primary driver of its gains in sales, operating profit, and market share. iFresh's results will be materially affected by the timing and number of new store additions and the amount of 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 when a store opens. iFresh may incur higher than normal employee costs associated with setup, 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 January 2019, one of our Glen Cove has been fully operated and started to generate revenue.

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 tax as a component of retail revenues as we consider sales tax a pass-through conduit for collecting and remitting sales taxes.

Gross Profit

iFresh calculates gross profit as net sales less the cost of sales and occupancy costs. Gross margin represents gross profit as a percentage of 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 our 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 the Company's ongoing operating performance. Because Adjusted EBITDA 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 other 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.

Acquisitions

In July and October 2017, iFresh acquired iFresh Glen Cove Inc. ("Glen Cove"), New York Mart CT, Inc. ("NYM CT"), and New York Mart N. Miami Inc. ("NYM N. Miami") from Mr. Long Deng, the Company's Chairman and Chief Executive Officer. The Company accounted for this acquisition as a business combination under ASC 805-50-30 whereby it recognizes 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. Prior year financial statements were retrospectively adjusted to combine the financial information of these entities as if the acquisitions occurred at the beginning of the period of transfer.

Results of Operations for the nine months ended December 31, 2018 and 2017

	For the nine months ended December 31		Changes	
	2018	2017	$	%
Net sales-third parties	$ 89,490,417	$ 94,595,598	$ (5,105,181)	(5.4)%
Net sales-related parties	3,186,593	7,136,011	(3,949,418)	(55.3)%
Total Sales	92,677,010	101,731,609	(9,054,599)	(8.9)%
Cost of sales-third parties	66,665,211	69,164,715	(2,499,505)	(3.6)%
Cost of sales-related parties	2,726,605	5,763,537	(3,036,932)	(52.7)%
Occupancy costs	6,118,410	5,670,852	447,558	7.9%
Gross Profit	17,166,784	21,132,505	(3,965,721)	(18.8)%
Selling, general, and administrative expenses	24,608,895	22,866,321	1,742,574	7.6%
Income from operations	(7,442,111)	(1,733,816)	(5,708,295)	329,2%
Interest expense	(1,002,127)	(590,835)	(411,292)	69.6%
Other income	913,678	1,352,941	(439,263)	(32.5)%
Income before income tax provision	(7,530,560)	(971,710)	(6,558,850)	675%
Income tax provision (benefit)	313,833	(302,635)	616,468	(203.7)%
Net income	(7,844,393)	$ (669,075)	$ (7,175,318)	1072.4%

Net Sales

	For the nine months ended December 31,		Changes	
	2018	2017	$	%
Net sales of retail-third parties	$ 78,736,102	$ 81,304,740	$ (2,568,638)	(3.16)%
Net sales of wholesale-third parties	10,754,315	13,290,858	(2,536,543)	(19.08)%
Net sales of wholesale-related parties	3,186,593	7,136,011	(3,949,418)	(55.34)%
Total Net Sales	$ 92,677,010	$ 101,731,609	$ (9,054,599)	(8.9)%

iFresh's net sales were $92.7 million for the nine months ended December 31, 2018, a decrease of $9.0 million, or 8.9%, from $101.7million for the nine months ended December 31, 2017.

Net retail sales to third parties decreased by $2.6 million, or 3.2%, from $81.3 million for the nine months ended December 31, 2017, to $78.7 million for the nine months ended December 31, 2018. The decrease resulted mainly from our Quincy and Boston, Massachusetts stores. The Company believes the sales drop is temporary and caused in part by increased competition in the local market. A new Asian supermarket opened near our Quincy store, and the store is partially under renovation. Due in part to the ongoing renovations and increased competition, sales from our Quincy and Boston stores decreased by $4.1 million. Sales from other stores increased by $1.5 million mainly due to normal business fluctuations. Our total net wholesale sales decreased by $6.5 million from $20.4 million for the nine months ended December 31, 2017 to $13.9 million for the nine months ended December 31, 2018, attributable in part to decreases in sales to related parties. Since this summer, our affiliate companies purchased fruit and vegetables from local farmers to supply more fresh goods to their customers. They relied less on our wholesale subsidiaries to provide products to them. In addition, one of our major affiliated customer New York Mart, Inc is going out of business and sales made to it decreased by $1.5 million.

Cost of sales, Occupancy costs and Gross Profit

Retail Segment	**For the nine months ended December 31,**		**Changes**	
	2018	**2017**	**$**	**%**
Cost of sales	$ 58,921,986	$ 59,327,757	$ (405,771)	(0.68)%
Occupancy costs	6,118,410	5,670,852	447,558	7.89%
Gross profit	13,695,706	16,306,131	(2,610,425)	(16.01)%
Gross margin	17.4%	20.1%	-2.7%	-

For the retail segment, cost of sales decreased by $406,000, from $59.3 million for the nine months ended December 31, 2017, to $58.9 million for the nine months ended December 31, 2018. The decrease was consistent with the decrease sales from retail sales.

Occupancy costs consist of store-level expenses such as rental expenses, property taxes, and other store specific costs. Occupancy costs increased by approximately $0.4 million, which was mainly attributable to increased taxes and store specific costs and the rent of the iFresh E. Colonial, Inc. store.

Gross profit was $13.7 and $16.3 million for the nine months ended December 31, 2018 and 2017, respectively. Gross margin was 17.4% and 20.1% for the nine months ended December 31, 2018 and 2017, respectively. The gross profit decreased due to the performance of the Quincy and Boston stores, as mentioned above. The Boston store's gross profit fell to 21.2% this year, compared to 27.8% at the same time last year. The Quincy store's gross profit fell from 21.3% this time last year to 15.4%. Both stores' gross profits have decreased as they react to price pressures from competing local supermarkets.

Wholesale Segment	**For the nine months ended December 31,**		**Changes**	
	2018	**2017**	**$**	**%**
Cost of sales	$ 10,469,830	$ 15,600,495	$ (5,130,665)	(32.89)%
Gross profit	3,471,078	4,826,374	(1,355,296)	(28.08)%
Gross margin	24.9%	23.6%	1.3%	-

For our wholesale segment, the cost of sales for the nine months ended December 31 decreased by $5.1 million, or 32.9%, from $15.6 million in 2017 to $10.5 million in 2018. The decrease is consistent with the significant decrease of sales from the wholesale segment in 2017.

Gross profit for the nine months ended December 31 decreased by $1.3 million, or 28%, from $4.8 million in 2017 to $3.5 million in 2018. Gross margin increased by 1.3% from 23.6% to 24.9%. The increase was due to the relatively lower proportion of related party sales to the total wholesale revenue, compared to 2017. Related party wholesale transactions had relatively lower gross profit.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses were $24.6 million for the nine months ended December 31, 2018, an increase of $1.7 million, or 7.6%, compared to $22.9 million for the nine months ended December 31, 2017, which was mainly attributable to the accrual of legal expenses of $1.3 million in three lawsuits in which judgments were entered against us, as well as $0.7 million for stock compensation to employees.

Interest Expense

Interest expense was $1.0 million for the nine months ended December 31, 2018, an increase of $0.4 million, or 69.6%, from $591,000 for the nine months ended December 31, 2017, primarily attributable to the increased loan balance from KeyBank, which was borrowed in the nine month for $5.7 million, as well as increased interest rate in this year compared to last year.

Other income

Other income was $0.9 million for the nine months ended December 31, 2018, which included management and advertising fee income, rental income, lottery sales, and other miscellaneous income. Other income decreased $0.4 million, or 32.5%, from $1.3 million for the nine months ended December 31, 2017. For the nine months ended December 31, 2017, the Company had insurance claim proceeds and lease dispute income in the amount of $620,000.

Income Taxes Provision

We are subject to U.S. federal and state income taxes. Income tax expense was $0.3 million for the nine months ended December 31, 2018, a decrease of $0.6 million, or 204%, compared to $302,000 of income tax benefit for the nine months ended December 31, 2017. The effective income tax rate was -4.2% and 31% for the nine months ended December 31, 2018 and 2017, respectively. The significant decrease of income tax expense was due to the reserve made for deferred tax assets. Due to the Company's continued operating losses, management determined that the deferred tax assets should be fully reserved.

Net Income (loss)

	For the nine months ended December 31,		Changes	
	2018	**2017**	**$**	**%**
Net income (loss)	$ (7,844,393)	$ (669,075)	$ (7,175,318)	1,072%
Net Profit Margin	-8.46%	-0.66%	-7.80%	

Net loss was $7.8 million for the nine months ended December 31, 2018, a increase of $7.2 million, or 1,072%, from $669,000 of net loss for the nine months ended December 31, 2017, mainly attributable to the decreased gross margin and increase in selling, general, and administrative expenses described above. Net loss as a percentage of sales was -8.46% and -0.66% for the nine months ended December 31, 2018 and 2017, respectively.

Adjusted EBITDA

	For the nine months ended December 31,		Changes	
	2018	**2017**	**$**	**%**
Net loss	$ (7,844,393)	$ (669,075)	$ (7,175,318)	1072%
Interest expense	1,002,127	590,835	411,292	70%
Income tax provision	313,833	(302,635)	616,468	-204%
Depreciation	1,432,173	1,277,863	154,310	12%
Amortization	236,874	236,874	-	0%
Adjusted EBITDA	$ (4,859,386)	$ 1,133,862	$ (5,993,248)	-529%
Percentage of sales	-5.2%	1.1%	-6.3%	

Loss before income tax, depreciation, and amortization was $4.9 million for the nine months ended December 31, 2018, a decrease of $6.0 million, as compared to income before income tax, depreciation, and amortization of $1.1 for the nine months ended December 31, 2017, mainly attributable to the decrease in net income resulting from decreased sales and increase in selling, general, and administrative expenses and income tax expenses described above. The ratio of Adjusted EBITDA to sales was -5.2% and 1.1% for the nine months ended December 31, 2018 and 2017, respectively.

Results of Operations for the three months ended December 31, 2018 and 2017

	For the three months ended December 31,		Changes	
	2018	2017	$	%
Net sales-third parties	$ 30,397,501	$ 33,702,943	$ (3,305,442)	(9.8)%
Net sales-related parties	906,565	2,160,248	(1,253,683)	(58)%
Total Sales	31,304,066	35,863,191	(4,559,125)	(12.7)%
Cost of sales-third parties	22,610,419	24,696,520	(2,086,101)	(8.4)%
Cost of sales-related parties	753,392	1,811,041	(1,057,649)	(58.4)%
Occupancy costs	2,276,924	1,834,247	442,677	24.1%
Gross Profit	5,663,331	7,521,383	(1,858,052)	(24.7)%
Selling, general and administrative expenses	7,429,877	7,764,416	(334,539)	(4.3)%
Income (Loss) from operations	(1,766,546)	(243,033)	(1,523,513)	627%
Interest expense	(357,301)	(214,198)	(143,103)	66.8%
Other income	321,538	133,526	188,012	140.8%
Income before income tax provision	(1,802,309)	(323,705)	(1,478,604)	456.8%
Income tax provision	-	(39,061)	39,061	(100)%
Net income	$ (1,802,309)	$ (284,644)	$ (1,517,665)	533.2%
Net income attributable to common shareholders	$ (1,802,309)	$ (284,644)	$ (1,517,665)	533.2%

Net Sales

	For the three months ended December 31,		Changes	
	2018	2017	$	%
Net sales of retail	$ 26,980,745	$ 28,193,022	$ (1,212,277)	(4.3)%
Net sales of wholesale-third parties	3,416,756	5,509,921	(2,093,165)	(38)%
Net sales of wholesale-related parties	906,565	2,160,248	(1,253,683)	(58)%
Total Net Sales	$ 31,304,066	$ 35,863,191	$ (4,559,125)	12.7%

iFresh's net sales were $31.3 million for the three months ended December 31, 2018, a decrease of $4.6 million, or 12.7%, from $35.9 million for the three months ended December 31, 2017.

Net retail sales decreased by $1.2 million, or 4.3%, from $28.2 million for the three months ended December 31, 2017, to $27.0 million for the three months ended December 31, 2018. The decrease resulted mainly from our Quincy and Boston, Massachusetts stores, which have been engaged in ongoing lease improvement for several months. The Company believes the decline in sales is temporary and caused in part by increased competition in the local markets. A new Asian supermarket opened near our Quincy store. Due in part to ongoing renovations and increased competition, sales from our Quincy and Boston stores decreased by $1.1 million. Sales from other stores decreased by $0.1 million mainly due to normal business fluctuations. Our total net wholesale sales decreased by $3.3 million, from $7.6 million for the three months ended December 31, 2017 to $4.3 million for the three months ended December 31, 2018, which was attributable to decrease of $1.2 million in sales to related parties and $2.1 million to third parties due to the closing of our one of the two wholesale subsidiaries- New York Mart Group .

Cost of sales, Occupancy costs and Gross profit

Retail Segment	**For the three months ended December 31,**		**Changes**	
	2018	**2017**	**$**	**%**
Cost of sales	$ 20,234,411	$ 20,704,592	$ (470,181)	(2.3)%
Occupancy costs	2,276,924	1,834,247	442,677	24.1%
Gross profit	4,469,410	5,654,183	(1,184,773)	(21.0)%
Gross margin	16.6%	20.1%	-3.5%	

For the retail segment, gross profit was $4.5 million and $5.7 million for the three months ended December 31, 2018 and 2017, respectively. Gross margin decreased from 20.1% for the three months ended December 31, 2017 to 16.6% for the three months ended December 31, 2017 due to the performance of the Quincy and Boston stores discussed above. The Boston store's gross profit fell to 21.4% this quarter, compared to 23.3% at the same time last year. The Quincy store's gross profit fell from 19.8% this time last year to 13.7%. Both stores' gross profits have decreased as they react to price pressures from competing local supermarkets.

Cost of sales decreased by $470,000, or 2.3%, from $20.7 million for the three months ended December 31, 2017 to $20.2 million for the three months ended December 31, 2018. This change was in line with the decrease 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 $0.4million, or 24.1 %, from $1.9 million for the three months ended December 31, 2017 to $2.3 million for the three months ended December 31, 2018, which was mainly attributable to increased taxes and store specific costs and the rent of the iFresh E. Colonial, Inc. store.

Wholesale Segment	**For the three months ended December 31,**		**Changes**	
	2018	**2017**	**$**	**%**
Cost of sales	$ 3,129,400	$ 5,802,969	$ (2,673,569)	(46.1)%
Gross profit	$ 1,193,921	1,867,200	(673,279)	(36.1)%
Gross margin	27.6%	24.3%	3.3%	

For the wholesale segment, cost of sales decreased by $2.7 million, or 46.1%, from $5.8 million for the three months ended December 31, 2017 to $3.1 million for the three months ended December 31, 2018. The decrease in cost of sales was proportional with the decrease in sales.

Gross profit decreased by $0.7 million, or 36%, from $1.9 million for the three months ended December 31, 2017 to $1.2 million for the three months ended December 31, 2018. Gross margin increased by 3.3% from 24.3% to 27.6%. The increase was due to the relatively lower proportion of related party sales to the total wholesale revenue, compared to 2017. Related party wholesale transactions had relatively lower gross profit

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses was $7.4 million for the three months ended December 31, 2018, a decrease of $0.3 million, or 4.3%, compared to $7.7 million for the three months ended December 31, 2017, which is considered as consistent within normal course of business.

Interest Expense

Interest expense was $357,000 for the three months ended December 31, 2018, an increase of $143,000, or 66.8%, from $214,000 for the three months ended December 31, 2017, primarily attributable to the additional $4.0 million borrowed from the KeyBank credit facility in May 2018, compared to the loan balance as of December 31, 2017.

Other income

Other income was $0.3 million for the three months ended December 31, 2018, an increase of $188,000, or 141%, from $133,000 million for the three months ended December 31, 2017, primarily as a result of increased charge of management fee, advertising fee from third parties.

Income Taxes Provision

The Company is subject to U.S. federal and state income taxes. Income tax was $0 for the three months ended December 31, 2018, a decrease of $39,000, or 100%, compared to $39,000 of tax benefit for the three months ended December 31, 2017, which was mainly attributable to reserve made for deferred tax allowance. For the three months ended December 31, 2018, the Company had a loss before tax and the deferred tax assets were fully reserved thus no income tax expense was recorded.

Net Income

	For the three months ended December 31,		Changes	
	2018	**2017**	**$**	**%**
Net income (loss)	$ (1,802,309)	$ (284,644)	$ (1,517,665)	(533)%
Net Profit Margin	(5.76)%	(0.79)%	(4.97)%	

Net loss was $1.8 for the three months ended December 31, 2018, an increase of $1.5 million, or 533%, from $284,644 of net loss for the three months ended December 31, 2017, mainly attributable to the decrease in gross margin and increase in selling, general, and administrative expenses and higher interest expenses, as described above.

Adjusted EBITDA

	For the three month ended December 31,		Changes	
	2018	2017	$	%
Net loss	$ (1,802,309)	$ (284,644)	$ (1,517,665)	(533)%
Interest expense	357,301	214,198	143,103	67%
Income tax provision	-	(39,061)	39,061	(100)%
Depreciation	488,688	445,196	43,492	10%
Amortization	101,771	78,958	22,813	29%
Adjusted EBITDA	$ (854,549)	$ 414,647	$ (1,269,196)	(306)%
Percentage of sales	(2.7)%	1.2%	(3.9)%	

Adjusted EBITDA was a loss of ($0.9 million) for the three months ended December 31, 2018, a decrease of $1.3 million, or 306%, as compared to $0.4 million of EBITDA income for the three months ended December 31, 2017, mainly attributable to increased net loss of approximately $1.5 million. The ratio of Adjusted EBITDA to sales was (2.7)% and 1.2% for the three months ended December 31, 2018 and 2017, respectively.

Liquidity and Capital Resources

As of December 31, 2018, iFresh had cash and cash equivalents of approximately $1.6 million. iFresh had operating losses in fiscal year 2018 and had negative working capital of $19.8 million and $18.4 million as of December 31, 2018 and March 31, 2018, respectively. The long-term KeyBank loan of $21.7 million has been reclassified as short-term because the Company is not in compliance with the KeyBank loan covenants and KeyBank has the option to accelerate payment at any time. The Company did not meet the financial covenant required in the credit agreement with KeyBank National Association ("KeyBank"). As of December 31, 2018, the Company has outstanding loan facilities of approximately $21.7 million due to KeyBank. Failure to maintain these loan facilities will have a significant impact on the Company's operations. iFresh had 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. iFresh's 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 December 31, 2018. 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.

We have $6.6 million of advances and receivable from related parties that we intend to collect or acquire, and these advances and receivables will be used to offset part of the acquisition consideration for such related parties. For the nine months ended December 31, 2018, the Company and certain institutional investors entered into a securities purchase agreement pursuant to which the Company sold to such investors an aggregate of 1,833,000 shares of common stock and warrants to purchase up to approximately 1,170,000 shares of the Company's Common Stock in a concurrent private placement, for gross proceeds of approximately $3.75 million. The Company plans to issue additional stock in lieu of cash as part of the acquisition consideration and plans to raise additional capital through sales of Company stock if necessary. The Company intends to use part of the cash generated from operations to fund its online sales initiative.

The Company's principal liquidity needs are to meet its working capital requirements, operating expenses, and capital expenditure obligations. As of December 31, 2018, the Company remains in noncompliance with the financial covenants of the KeyBank Loan. These conditions continue to raise doubt as to the Company's ability to remain a going concern.

The following table summarizes iFresh's cash flow data for the nine months ended December 31, 2018 and 2017.

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2017
Net cash used in operating activities	$ (7,107,612)	$ (4,253,663)
Net cash provided by (used in) investing activities	7,795	(180,785)
Net cash provided by (used in) financing activities	8,032,617	2,786,452
Net (decrease) increase in cash and cash equivalents	$ 932,800	$ (1,647,996)

Operating Activities

Net cash provided by operating activities consists primarily of net income adjusted for non-cash items, including depreciation, changes in deferred income taxes, loss on early extinguishment of debt, and the effect of working capital changes. Net cash used in operating activities was approximately $7.1 million for the nine months ended December 31, 2018, an increase of $2.9million, or 67%, compared to $4.2 million used in operating activities for the nine months ended December 31, 2017. The increase was a result of a decrease in net income of $7.2 million.

Investing Activities

Net cash provided by investing activities was approximately $8,000 for the nine months ended December 31, 2018, an increase of $188,000, compared to $181,000 used in investing activities for the nine months ended December 31, 2017. The increase was primarily attributable to the increase in cash receivable from repayment of related party receivables of $4.8 million and offset by increased cash paid for equipment and property acquisition of $1.0 million and increased cash advanced to related party for $3.6 million.

Financing Activities

Net cash provided by financing activities was approximately $8.0 million for the nine months ended December 31, 2018, which mainly consisted of net cash flow from bank loans of $5.7 million, cash received from issuance of stock of $3.7 million, offset by $1.4 million cash paid for loans, notes payable, and capital leases. Net cash provided from financing activities was $2.8 million for the nine months ended December 31, 2017, which mainly consisted of net cash flow from bank loans of $4.3 million, offset by $1.5million cash paid for notes payable and capital leases.

KeyBank National Association – Senior Secured Credit Facilities

On December 23, 2016, NYM, as borrower, entered into a $25 million senior secured Credit Agreement (the "Credit Agreement") with KeyBank National Association ("KeyBank" 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. $4,950,000 of the revolving credit was used as of December 31, 2018.

$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.

A Delayed Draw Term Loan was available and would be advanced on the Delayed Draw Funding date (as defined in the Credit Agreement, which is no later than December 23, 2021. A withdrawal of $5 million under the Delayed Draw Term Loan was made as of December 31, 2018.

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.

The Company has been repaying this facility in accordance with its terms. The financial covenants of the Credit Agreement require the Company to maintain a senior funded debt to earnings before interest, tax, depreciation and amortization ("EBITDA") ratio for the trailing 12 month period of less than 3.00 to 1.00 at the last day of each fiscal quarter. As of December 31, 2018 and March 31, 2018, this ratio was greater than 3.00 to 1.00, and the Company was therefore not in compliance with the financial covenants of the KeyBank loan.

While KeyBank has not yet acted to accelerate payment of the facility, KeyBank considers the Company to be in default and will not make any further advances under the Credit Facility until the Company comes into compliance with the Credit Agreement.

Commitments and Contractual Obligations

The following table presents the Company's material contractual obligations as of December 31, 2018:

Contractual Obligations (unaudited)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Bank Loans	$ 21,668,093	$ 1,470,116	$ 3,535,371	$ 16,662,606	—
Estimated interest payments on bank loans	1,534,829	568,229	936,034	30,566	—
Notes payable	261,750	105,974	143,687	12,089	—
Capital lease obligations including interest	721,648	199,182	328,868	193,598	—
Operating Lease Obligations(1)	102,078,211	8,870,400	17,918,638	17,758,312	57,530,861
	$ 126,264,531	$ 11,213,901	$ 22,862,598	$ 34,657,171	$ 57,530,861

(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

In accordance with Topic 606 revenue is recognized at the time the sale is made, at which time our walk-in customers take immediate possession of the merchandise or delivery is made to our wholesale customers. Payment terms are established for our wholesale customers based on the Company's pre-established credit requirements. Payment terms vary depending on the customer. Based on the nature of receivables no significant financing components exist. Sales are recorded net of discounts, sales incentives and rebates, sales taxes and estimated returns and allowances. We estimate the reduction to sales and cost of sales for returns based on current sales levels and our historical return experience.

Topic 606 defines a performance obligation as a promise in a contract to transfer a distinct good or service to the customer and is considered the unit of account. The majority of our contracts have one single performance obligation as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct.

We had no material contract assets, contract liabilities or costs to obtain and fulfill contracts recorded on the Condensed Consolidated Balance Sheet as of December 31, 2018. For the nine and three months ended December 31, 2018, revenue recognized from performance obligations related to prior periods was insignificant.

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.

iFresh applies 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, iFresh 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 February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), Leases (Topic 842). ASU 2016-02 requires a lessee to record a right-of-use asset and a corresponding lease liability, initially measured at the present value of the lease payments, on the balance sheet for all leases with terms longer than 12 months, as well as the disclosure of key information about leasing arrangements. ASU 2016-02 requires recognition in the statement of operations of a single lease cost, calculated so that the cost of the lease is allocated over the lease term. ASU 2016-02 requires classification of all cash payments within operating activities in the statement of cash flows. Disclosures are required to provide the amount, timing and uncertainty of cash flows arising from leases. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. The Company does not expect the adoption of this guidance will have a material impact on its unaudited condensed consolidated financial statements.

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, “Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets” to clarify the scope of Subtopic 610-20 and to add guidance for partial sales of nonfinancial assets. Subtopic 610-20, which was issued in May 2014 as a part of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. For all other entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Company does not expect that adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, “Scope of Modification Accounting,” which amends the scope of modification accounting for share-based payment arrangements, provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. For all entities, the ASU is effective for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period. The Company does not expect that adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures. In January 2017, the FASB issued ASU 2017-01, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The standard will be effective for us in the first quarter of our fiscal year 2019. The Company expects that the adoption of this ASU would not have a material impact on the Company’s consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, “Improvements to Nonemployee Share-Based Payment Accounting,” which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The changes take effect for public companies for fiscal years starting after December 15, 2018, including interim periods within that fiscal year. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. The Company expects that the adoption of this ASU would not have a material impact on the Company’s consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of December 31, 2018, 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 December 31, 2018, 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 December 31, 2018, 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

There was no change in our internal control over financial reporting that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

In the ordinary course of our business, we are subject to periodic lawsuits, investigations and claims, including, but not limited to, contractual disputes, premises claims, and employment, environmental, health, safety and intellectual property matters. Although we cannot predict with certainty the ultimate resolution of any lawsuits, investigations, and claims asserted against the Company, we do not believe any currently pending legal proceedings to which the Company is a party will have a material adverse effect on the Company's business, prospects, financial condition, cash flows, or results of operations other than the following:

Leo J. Motsis, as Trustee of the 140-148 East Berkeley Realty Trust v. Ming's Supermarket, Inc.

Ming's Supermarket, Inc. ("Ming"), a 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 retained an expert who concluded the structural damage to the building was caused by long-term water infiltration and was 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 began withholding rent, since Ming 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.

The case was tried before a jury in August 2017. The jury awarded Ming judgment against the landlord in the amount of $795,000, plus continuing damages of $2,250 per month until the structural repairs were completed. The court found that the landlord's actions violated the Massachusetts unfair and deceptive acts and practices statute and therefore doubled the amount of damages to $1,590,000 and further ruled that Ming should also recover costs and attorneys' fees of approximately $250,000. The judgment required the landlord to repair the premises and obtain an occupancy permit. The landlord was responsible to Ming for damages in the amount of $2,250 per month until an occupancy permit was is issued. The judgment also accrues interest at the rate of 12% per year until paid.

The landlord filed a Notice of Appeal, which will delay ultimate resolution of this matter for one year or more. Ming has filed a lien against the landlord's real estate as security for the judgment.

On May 31, 2018, the ISD issued an occupancy permit, triggering Ming's requirement to resume regular rental payments. Ming paid rent for June 2018 to the landlord. As a result, the total judgment in favor of Ming and against the landlord that is approximately $1.85 million.

As the case is currently being appealed, no guaranties or predictions can be made at this time as to ultimate final outcome of this case.

SKKR Trading LLC d/b/a 38 Live Bait v. New Sunshine Group LLC and New York Mart Group Inc.

A lawsuit was filed against New York Mart Group, Inc. ("NYMG"), a subsidiary of iFresh, and New Sunshine Group, LLC ("New Sunshine") by SKKR Trading, LLC ("SKKR") for breach of contract. SKKR sought from NYMG and New Sunshine damages for allegedly unpaid invoices in the amount of $116,878, a penalty of $256,000, and attorney's fees of $80,000 to $90,000.

SKKR claimed that NYMG and New Sunshine failed to pay for an order of shrimp. NYMG and New Sunshine raised various defenses, most of which centered 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, which was a completely separate entity from NYMG or New Sunshine.

On March 7, 2017, the trial court entered an order granting SKKR attorneys' fees in the amount of $40,654. The case went to trial on March 12 to 15, 2017. On April 17, 2017, the Count entered a judgment for Plaintiff against NYMG and New Sunshine in the amount of $385,471, plus interest. On September 26, 2017, the trial court entered judgment in favor of SKKR requiring NYMG and New Sunshine to pay SKKR's attorneys' fees and legal costs in the amount of $122,206, plus interest. NYMG appealed the judgment.

Most recently, on October 26, 2018, the appellate court affirmed the trial court's judgment in favor of SKKR and also granted SKKR's attorneys' fees incurred during the appeal. The trial court will determine the amount of SKKR's appellate attorneys' fees. The Company accrued $500,000 for the potential loss and expense associated with this case.

Jendo Ermi, LP v iFresh Inc.; iFresh Inc. v. Jendo Ermi LP

On October 20, 2017, Jendo Ermi, LP filed an unlawful detainer action against iFresh, Inc. (Los Angeles Superior Court Case No.: KC069728). The case involved a dispute over real property that Jendo Ermi, LP leased to iFresh, Inc. to operate a grocery store in El Monte, California. Jendo Ermi, LP claimed that iFresh, Inc. had not properly paid rent required by the lease. On March 29, 2018, the court entered judgment in favor of Jendo and against iFresh for possession of the Premises, forfeiture of the lease, and damages in the preliminary amount of $309,009, with the final amount to be determined by the court. On April 23, 2018, iFresh filed a Notice of Appeal of the judgment. On April 26, 2018, the court entered an amended judgment in favor of Jendo and against iFresh for possession of the Premises, forfeiture of the lease, and damages in the amount of $952,692, with attorneys' fees and costs to be determined by the court.

On August 27, 2017, iFresh, Inc. filed a complaint against Jendo Ermi, LP for, among other things, fraud and breach of contract associated with the lease (Los Angeles Superior Court Case No.: BC684617). iFresh, Inc. alleged that Jendo Ermi (1) overstated the square footage of the property to obtain higher rent; (2) failed to provide certain furniture, fixtures, and equipment (FF&E) valued at approximately $300,000 that were promised under the lease; and (3) failed to disclose that parts of the building were not habitable.

On May 31, 2018, the Company entered into a settlement agreement with Jendo Ermi, LP whereby iFresh agreed to transfer possession of the premises to Jendo and pay Jendo the total amount of $652,039 in satisfaction of all disputes between the parties. iFresh timely transferred possession of the premises to Jendo. A third party timely paid the full settlement amount on behalf of iFresh. Pursuant to the parties' settlement agreement, iFresh dismissed with prejudice its action against Jendo and dismissed its appeal of the unlawful detainer judgment. Pursuant to the parties' settlement agreement, Jendo filed an Acknowledgment of Satisfaction of Judgment with respect to the unlawful detainer judgment on November 6, 2018 and released the Company from any claims related to this transaction.

HDH, LLC v. New York Mart Group Inc.

iFresh's subsidiary, New York Mart Group, Inc., entered into a lease with HDH, LLC for a warehouse located at 55-01 2nd Street, Long Island City, New York 11101 for the period March 15, 2011 through February 28, 2021. The landlord sued the tenant for breaching the lease by altering the premises without the landlord's permission and without obtaining necessary government permits. The landlord also sued the tenant for failing to pay rent and additional rent. The trial court entered a judgment on September 28, 2018. A hearing will be held on November 19, 2018 to determine the amount of damages to which the landlord is entitled. The landlord claims it is entitled to $210,062 in damages. New York Mart Group Inc. filed a notice of appeal on October 25, 2018. The appeal might take 1 to 2 years. The Company has accrued $200,000 for the potential loss and expense associated with this case.

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, 2018. 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, 2018, 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, 2018. 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.

On December 23, 2016, a wholly-owned subsidiary of the Company, NYM Holding, Inc. ("NYM"), as borrower, entered into a $25 million senior secured Credit Agreement (the "Credit Agreement") with KeyBank National Association ("KeyBank" 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%.

Although the Company has been timely repaying the KeyBank facility in accordance with its terms, the Company failed to timely pay federal income taxes in the aggregate principal amount of $1,187,693, which resulted in the IRS imposing a tax lien on the Company on June 11, 2018 in the amount of $1,236,831. Although the Company subsequently paid the tax liabilities in full in June 2018 and the IRS released the tax lien by July 30, 2018, the Company was in default under the KeyBank Credit Agreement as of March 31, 2018 for having failed to timely pay federal taxes and because the IRS imposed a tax lien.

Additionally, the financial covenants of the KeyBank loan require the Company to maintain a senior funded debt to earnings before interest, tax, depreciation, and amortization ("EBITDA") ratio for the trailing 12 month period of less than 3.0 to 1.0 as of the last day of each fiscal quarter. As of December 31, 2018, this ratio was greater than 3.00 to 1.00, and the Company was therefore not in compliance with the financial covenants of the KeyBank loan. In addition, on February 7, 2019, the Company received a notice from Keybank indicating Keybank does not consent to the transaction contemplated by the Share Purchase Agreement by and between Long Deng and HK Xu Ding Co. Limited and that the monthly principal and interest payment amount shall be adjusted to $155,872.35 to fully amortize the current outstanding principal blance of the loan over the number of months remaining on the original ten year amortization period at the interest rate now in effect.

Due to the Company's failure to timely pay federal taxes, the IRS's imposition of a tax lien, the Company's failure to satisfy the financial covenants of the Credit Agreement, the Company is currently in default under the Credit Agreement. The Company has advised KeyBank of the default, and while KeyBank has not yet acted to accelerate payment of the facility, KeyBank does consider the Company to be in default and will not make any further advances under the Credit Facility until the Company complies with its obligations under the Credit Agreement. Keybank indicated in its notice to the Company on February 7, 2019 that as a result of the events of default occurred so far, effective March 1, 2019, interest will accrue on all loans at the default rate. The Company's inability to draw down amounts under the credit facility significantly impairs the Company's growth plans and limits its liquidity. In addition, if KeyBank were to decide to accelerate repayment of the Credit Facility, the Company's financial condition and operations would be negatively impacted. Although the Company anticipates being able to obtain a waiver from KeyBank regarding the Company's default, there is no guarantee that the Company will be successful in doing so.

Item 4. Mine Safety Disclosure.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Description
31.1	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.
31.2	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.
32	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.
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.

Date: February 14, 2019

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

By: /s/ Long Yi
Long Yi
Chief Financial Officer
(Principal financial and accounting officer)

Exhibit 31.1

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: February 14, 2019

/s/ Long Deng
Long Deng
Chief Executive Officer
(Principal executive officer)

Exhibit 31.2

**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, Long Yi, 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: February 14, 2019

/s/ Long Yi
Long Yi
Chief Financial Officer
(Principal financial and accounting officer)

Exhibit 32.1

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 December 31, 2018 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: February 14, 2019

/s/ Long Deng
Long Deng
Chief Executive Officer
(Principal executive officer)

Date: February 14, 2019

/s/ Long Yi
Long Yi
Chief Financial Officer
(Principal financial and accounting officer)