SPRING PHARMACEUTICAL GROUP, INC.
(FORMERLY KNOWN AS CHINA YCT INTERNATIONAL GROUP, INC.)

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SPRING PHARMACEUTICAL GROUP, INC.
(FORMERLY KNOWN AS CHINA YCT INTERNATIONAL GROUP, INC.)
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	DECEMBER 31, 2019	MARCH 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 170,324	$ 12,520,436
Inventories	4,912,243	2,481,621
Purchase deposit to related party	-	1,485,112
Prepaid leases – current portion	-	1,097,965
Total current assets	**5,082,566**	**17,585,134**
Prepaid leases	-	2,105,949
Right-of-use assets – operating leases	10,902,774	-
Development cost of acer truncatum bunge planting, net	74,841,987	69,819,281
Plant, property, and equipment, net	13,333,060	14,859,906
Intangible assets, net	8,560,495	9,815,476
Deferred tax assets	267,286	276,920
Security deposit to related party	1,433,445	1,485,112
Total assets	**$ 114,421,613**	**$ 115,947,778**
Liabilities and Stockholders' Equity		
Current liabilities:		
Operating lease liabilities – current portion	$ 336,381	$ -
Taxes payable	394,101	640,112
Total current liabilities	730,483	640,112
Operating lease liabilities - long term	8,250,849	-
Total liabilities	8,981,332	640,112
Stockholders' Equity		
Preferred stock, par value $0.001 per share; 5,000,000 shares authorized, zero shares issued and outstanding	-	-
12% Preferred stock, par value $500 per share; 45 shares authorized, issued and outstanding	22,500	22,500
Common stock, par value $0.001 per share; 100,000,000 shares authorized; 29,839,168 shares issued and outstanding	29,839	29,839
Additional paid-in capital	4,363,788	4,363,788
Statutory reserve	1,828,504	1,828,504
Retained earnings	102,630,597	108,335,218
Accumulated other comprehensive income (loss)	(6,400,973)	(2,534,229)
Total stockholders' equity attributable to the Company	102,474,255	112,045,620
Noncontrolling interest	2,966,026	3,262,046
Total stockholders' equity	105,440,281	115,307,666
Total liabilities and stockholders' equity	**$ 114,421,613**	**$ 115,947,778**

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

SPRING PHARMACEUTICAL GROUP, INC.
(FORMERLY KNOWN AS CHINA YCT INTERNATIONAL GROUP, INC.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	THREE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,	
	2019	**2018**	**2019**	**2018**
Sales	$ 4,866,796	$ 19,494,574	$ 13,665,209	$ 59,068,360
Cost of goods sold (including $0 and $3,922,496 from a related party for the three months ended December 31, 2019 and 2018, respectively; including $0 and $12,098,816 from a related party for the nine months ended December 31, 2019 and 2018, respectively)	8,223,488	10,674,733	13,593,961	33,259,278
Gross profit	**(3,356,692)**	**8,819,841**	**71,248**	**25,809,082**
Operating expenses				
Selling expenses	848,080	1,278,446	1,623,134	3,982,927
General and administrative expenses	1,624,739	1,311,969	3,519,708	3,504,013
Research and development expenses	519,734	297,089	672,792	688,246
Total operating expenses	**2,992,553**	**2,887,504**	**5,815,635**	**8,175,186**
Income from operations	**(6,349,246)**	**5,932,337**	**(5,744,387)**	**17,633,896**
Interest income	2,655	35,141	17,270	110,186
Income before income tax provision	**(6,346,590)**	**5,967,478**	**(5,727,117)**	**17,744,082**
Income tax provision	(934)	1,491,869	153,934	4,436,020
Net income	**(6,345,656)**	**4,475,609**	**(5,881,051)**	**13,308,062**
Less: Net income (loss) attributable to noncontrolling interest	(190,370)	134,268	(176,432)	399,242
Net income attributable to the Company	**(6,155,286)**	**4,341,341**	**(5,704,619)**	**12,908,820**
Other comprehensive income (loss):				
Foreign currency translation adjustment	1,557,918	278,156	(3,986,334)	(9,384,322)
Comprehensive income	**(4,787,738)**	**4,753,765**	**(9,867,385)**	**3,923,740**
Less: Comprehensive income (loss) attributable to noncontrolling interest	**(143,632)**	**142,613**	**(296,022)**	**117,713**
Comprehensive income attributable to the Company	**$ (4,644,106)**	**$ 4,611,152**	**$ (9,571,363)**	**$ 3,806,027**
Earnings per common share				
Basic and Diluted	**$ (0.21)**	**$ 0.15**	**$ (0.19)**	**$ 0.43**
Weighted average number of common shares outstanding				
Basic and Diluted	**29,789,168**	**29,839,168**	**29,789,168**	**29,827,532**

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

SPRING PHARMACEUTICAL GROUP, INC.
(FORMERLY KNOWN AS CHINA YCT INTERNATIONAL GROUP, INC.)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	12% Preferred Stock		Common Stock		Additional Paid-in Capital	Statutory Reserve	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity Attributable to Company	Non-controlling Interest	Total
		Amount	Shares	Amount							
Balance - March 31, 2018	**45**	**$ 22,500**	**29,789,168**	**$ 29,789**	**$ 4,322,838**	**$ 1,828,504**	**$ 4,455,017**	**$ 94,447,937**	**$ 105,106,585**	**$ 3,048,705**	**$ 108,155,290**
Issuance of common shares for services			50,000	50	40,950				41,000		**41,000**
Net income								4,487,827	4,487,827	138,799	**4,626,626**
Foreign currency translation adjustment							(5,371,241)		(5,371,241)	(166,121)	**(5,537,362)**
Balance - June 30, 2018	**45**	**$ 22,500**	**29,839,168**	**$ 29,839**	**$ 4,363,788**	**$ 1,828,504**	**$ (916,224)**	**$ 98,935,764**	**$ 104,264,171**	**$ 3,021,383**	**$ 107,285,554**
Net income								4,079,652	4,079,652	126,175	**4,205,827**
Foreign currency translation adjustment							(4,001,363)		(4,001,363)	(123,753)	**(4,125,116)**
Balance - September 30, 2018	**45**	**$ 22,500**	**29,839,168**	**$ 29,839**	**$ 4,363,788**	**$ 1,828,504**	**$ (4,917,587)**	**$ 103,015,416**	**$ 104,342,460**	**$ 3,023,805**	**$ 107,366,265**
Net income								4,341,341	4,341,341	134,268	**4,475,609**
Foreign currency translation adjustment							269,811		269,811	8,345	**278,156**
Balance - December 31, 2018	**45**	**$ 22,500**	**29,839,168**	**$ 29,839**	**$ 4,363,788**	**$ 1,828,504**	**$ (4,647,776)**	**$ 107,356,757**	**$ 108,953,612**	**$ 3,166,418**	**$ 112,120,030**
Balance - March 31, 2019	**45**	**$ 22,500**	**29,839,168**	**29,839**	**4,363,788**	**1,828,504**	**(2,534,229)**	**108,335,218**	**112,045,620**	**3,262,046**	**115,307,666**
Net income								26,888	26,888	832	**27,719**
Foreign currency translation adjustment							(6,155,354)		(6,155,354)	(190,372)	**(6,345,726)**
Balance - June 30, 2019	**45**	**$ 22,500**	**29,839,168**	**$ 29,839**	**$ 4,363,788**	**$ 1,828,504**	**$ (8,689,583)**	**$ 108,362,106**	**$ 105,917,154**	**$ 3,072,506**	**$ 108,989,660**
Net income								423,778	423,778	13,107	**436,885**
Foreign currency translation adjustment							777,429		777,429	24,045	**801,474**
Balance - September 30, 2019	**45**	**$ 22,500**	**29,839,168**	**$ 29,839**	**$ 4,363,788**	**$ 1,828,504**	**$ (7,912,154)**	**$ 108,785,884**	**$ 107,118,361**	**$ 3,109,658**	**$ 110,228,019**
Net income								(6,155,286)	(6,155,286)	(190,370)	**(6,345,656)**
Foreign currency translation adjustment							1,511,180		1,511,180	46,738	**1,557,918**
Balance - December 31, 2019	**45**	**$ 22,500**	**29,839,168**	**$ 29,839**	**$ 4,363,788**	**$ 1,828,504**	**$ (6,400,973)**	**$ 102,630,598**	**$ 102,474,255**	**$ 2,966,026**	**$ 105,440,281**

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

SPRING PHARMACEUTICAL GROUP, INC.
(FORMERLY KNOWN AS CHINA YCT INTERNATIONAL GROUP, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	NINE MONTHS ENDED DECEMBER 31,	
	2019	**2018**
Cash flows from operating activities:		
Net income	$ (5,881,051)	$ 13,308,062
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of development cost of accer tructum bunge planting	933,364	75,435
Depreciation and amortization of plant, property and equipment	1,014,294	1,007,443
Amortization of intangible assets and other assets	917,502	951,318
Amortization of prepaid leases	-	659,787
Stock-based compensation	-	41,000
Deferred taxes	-	100,378
Changes in operating assets and liabilities:		
Inventory	(2,527,972)	(1,430,058)
Accounts receivable	-	(21,477)
Prepaid leases	-	(1,376,345)
Taxes payable	(224,720)	1,031,631
Purchase deposit and accounts payable to related party, net	1,439,719	101,505
Advance from customers	-	(418,489)
Accounts payable and other accrued expenses	-	(239,579)
Net cash provided by operating activities	**(4,328,864)**	**13,790,611**
Cash flows from investing activities:		
Acquisition of property, plant and equipment		(91,582)
Development cost of acer truncatum bunge planting	(8,417,677)	(651,092)
Net cash used in investing activities	**(8,417,677)**	**(742,674)**
Effect of exchange rate changes on cash and cash equivalents	**396,430**	**(2,438,748)**
Net increase in cash and cash equivalents	**(12,350,112)**	**10,609,189**
Cash and cash equivalents at beginning of year	**12,520,436**	**25,353,360**
Cash and cash equivalents at end of year	**$ 170,324**	**$ 35,962,549**
Supplemental disclosures of cash flow information:		
Cash paid during the years for:		
Interest	$ -	$ -
Income taxes	$ 274,680	$ 3,342,017

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

NOTE 1 - ORGANIZATION AND BUSINESS

On August 28, 2018, China YCT International Group, Inc. filed a Certificate of Amendment to its Articles of Incorporation with the State of Delaware to change its corporate name from China YCT International Group, Inc. to Spring Pharmaceutical Group, Inc. ("Spring Pharmaceutical"). The name change was effective as of the filing of the Certificate of Amendment with the State of Delaware.

Spring Pharmaceutical, through its 100% owned subsidiary Landway Nano Bio-Tech, Inc. ("Landway Nano"), incorporated in Delaware, owns 97% of Shandong Spring Pharmaceutical Co., Ltd. ("Shandong Spring"), incorporated in the People's Republic of China ("PRC"). Spring Pharmaceutical and its subsidiaries are collectively referred to as "the Company". The Company, through its 97% owned subsidiary, Shandong Spring, is engaged in the business of (i) distributing health care supplement products, (ii) developing, manufacturing, and selling Huoliyuan capsules, a prescription medicine, and (iii) developing the acer truncatum bunge planting bases and selling acer truncatum seed oil in the PRC. Acer truncatum bunge plants are a species of maple tree.

Since January 2019, the Company has ceased to distribute health care supplement products and acer truncatum seed oil products through its direct selling channel.

Since April 2019, the Company has ceased its massive production and distribution of acer truncatum seed oils and only produced acer truncatum seed oils from the seeds picked from its self-planted trees in order to use out the existing seeds. The Company decided to preserve the existing acer truncatum bunge planting bases until they found third party buyers in the future.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of December 31, 2019 and the results of operations and cash flows for the periods ended December 31, 2019 and 2018. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the three and nine months ended December 31, 2019 are not necessarily indicative of the results to be expected for any subsequent periods or for the entire year ending March 31, 2020. The balance sheet on March 31, 2019 is unaudited.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the Securities and Exchange Commission's rules and regulations. These unaudited financial statements should be read in conjunction with our unaudited financial statements and notes thereto for the year ended March 31, 2019 as included in our annual report.

Principles of consolidation

The consolidated financial statements include the financial statements of Spring Pharmaceutical, Landway Nano and its 97% owned subsidiary, Shandong Spring. All inter-company transactions and balances are eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Significant accounting estimates reflected in the Company's consolidated financial statements include: the valuation of inventory, the estimated useful lives and impairment of property, equipment, bearer plants, intangible assets, and the valuation of deferred tax assets.

Foreign currency translation

The accounts of the Company's Chinese subsidiary are maintained in RMB and the accounts of the U.S. companies are maintained in USD. The accounts of the Chinese subsidiary were translated into USD in accordance with Accounting Standards Codification ("ASC") Topic 830 "Foreign Currency Matters". According to Topic 830, all assets and liabilities were translated at the exchange rate on the balance sheet date; stockholders' equity is translated at historical rates and statement of comprehensive income items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are reported under other comprehensive income in accordance with ASC Topic 220, "Comprehensive Income." Gains and losses resulting from the foreign currency transactions are reflected in the statements of comprehensive income.

The following exchange rates were used to translate the amounts from RMB into United States dollars ("USD$") for the respective periods:

	December 31, 2019	**December 31, 2018**
Period End Exchange Rate (RMB/USD)	6.9762	6.8632
Average Period Exchange Rate (RMB/USD)	6.9458	6.6989

Leases

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on balance sheet and disclose key information about the leasing arrangements. The new standard establishes a right-of-use model (“ROU”) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months.

The new standard is effective for the Company on April 1, 2019, with early adoption permitted. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The Company adopted the new standard on April 1, 2019 and used the effective date as its date of initial application. Consequently, financial information is not provided for the dates and periods before April 1, 2019. The new standard provides a number of optional expedients in transition. The Company elected the package of practical expedients which permits it not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs.

The new standard has a material effect on the Company's financial statements. The most significant effects are related to the recognition of new ROU assets and lease liabilities on our balance sheet for the Company's farmland operating leases. The Company has historically entered into a number of lease arrangements under which we are the lessee. Specifically, the Company has leased total 25,881 mu (approximately 3,115.52 acres) farmland under the farmland operating leases in China for the development of the acer truncatum bunge planting bases. For all of these operating leases, the lease payments are RMB1,000 (approximately USD149) per mu annually and is paid every five years in advance.

Recent accounting pronouncements

The Company's management has evaluated all the recently issued accounting pronouncements and does not believe that they will have a material effect on the Company's consolidated financial position and results of operations.

NOTE 3 - INVENTORY

The components of inventories were as follows:

		December 31, 2019		March 31, 2019
Raw materials	$	2,936,714	$	995,098
Packaging materials		526,012		457,876
Work-in-process		914,266		567,807
Finished goods		535,251		460,840
Total Inventories	$	4,912,243	$	2,481,621

NOTE 4 - DEVELOPMENT COST OF ACER TRUNCATUM BUNGE PLANTING, NET

The components of development cost of acer truncatum bunge planting were as follows:

	December 31, 2019		March 31, 2019	
Development cost of acer truncatum bunge planting	$	76,424,947	$	70,496,505
Less: Accumulated amortization		(1,582,961)		(677,224)
Total Development cost of acer truncatum bunge planting, net	$	74,841,987	$	69,819,281

Development costs of acer truncatum bunge consist primarily of the purchase costs of the acer truncatum bunge trees, acer truncatum bunge planting fee, and the expenditures incurred for land leveling, irrigation, and fertilization. The costs are capitalized until acer truncatum bunge becomes commercially productive, at which time amortization is recognized using the straight-line method over the estimated economic useful life of the acer truncatum bunge, which is estimated to be 30 years. Since November 2018, approximately 4% - 8% of acer truncatum bunge trees became commercially productive, for which, total amortization expense of $1,582,961 has been recognized.

NOTE 5 – PLANT, PROPERTY, AND EQUIPMENT, NET

The components of plant, property and equipment were as follows:

	December 31, 2019		March 31, 2019	
Machinery and equipment	$	3,262,946	$	3,380,554
Office equipment and automobiles		758,957		786,312
Building		12,843,492		13,306,418
Leasehold Improvements		3,822,298		3,960,068
Subtotal		20,687,692		21,433,352
Less: Accumulated depreciation and amortization		(7,354,632)		(6,573,446)
Total plant, property and equipment, net	$	13,333,060	$	14,859,906

The depreciation and amortization expense for the three months ended December 31, 2019 and 2018 was $429,420 and $325,040, respectively.

The depreciation and amortization expense for the nine months ended December 31, 2019 and 2018 was $781,186 and $1,007,443, respectively.

NOTE 6 - OPERATING LEASES

As of December 31, 2019, the Company had one automobile operating lease and four farmland operating leases for the development of the acer truncatum bunge planting bases. The automobile operating lease is under 10-year term. The total lease payment of RMB131,468 (approximately USD21,000) was paid in full upon signing the lease agreement On October 1, 2011. The four farmland leases are under the terms from ten to thirty years. For the automobile operating lease and all four farmland operation leases, the Company adopted the new standard to recognize lease assets and liabilities.

At December 31, 2019, the Company recognized operating lease liabilities of $8,587,230 and Right-of-use assets of $10,02,774 based on the present value of the remaining minimum rental payments under the current leasing standards for existing operating leases.

		December 31, 2019
Operating lease Right-of-use assets	$	10,902,774
Operating lease liabilities		
Current portion of long-term leases		336,381
Long-term lease liabilities		8,250,849
Total operating lease liabilities	$	8,587,230

NOTE 7 - TAXES PAYABLE

Taxes payable at December 31, 2019 and March 31, 2019 were as follows:

		December 31, 2019		March 31, 2019
Corporate income tax - foreign	$	245,221	$	537,400
Value-added tax - foreign		133,007		93,714
Other tax and fees - foreign		15,873		8,998
Total tax payable	$	394,101	$	640,112

NOTE 8 - INCOME TAXES

Spring Pharmaceutical and Landway Nano were incorporated in the United States of America and are subject to United States federal taxation. No provisions for income taxes have been made, as there was no taxable income from U.S. operations for the three and nine months ended December 31, 2019 and 2018. The Company has net loss carryforward of approximately $22,000, which will expire in 2037. The Company has set up 100% valuation allowance on deferred tax assets resulting from net operating loss incurred in the U.S.

The U.S. Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017 and introduces significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21% and creates new taxes on certain foreign-sourced earnings and certain related-party payments.

The Company's Chinese subsidiary is governed by the Income Tax Law of the PRC concerning the privately run and foreign invested enterprises, which are generally subject to tax at a statutory rate of 25% on income reported in the statutory financial statements after appropriate tax adjustments.

Dividend payments by PRC subsidiaries are limited by certain statutory regulations in the PRC. No dividends may be paid by PRC subsidiaries without first receiving prior approval from SAFE. Dividend payments are restricted to 90% of after-tax profits.

The Company had not provided deferred taxes on undistributed earnings attributable to its PRC subsidiaries as they were to be permanently reinvested. On February 22, 2008, the Ministry of Finance and State Administration of Taxation jointly issued Cai Shui 2008 Circular 1, "Circular 1." According to Article 4 of Circular 1, distributions of accumulated profits earned by foreign investment enterprises ("FIE") prior to January 1, 2008 to their foreign investors would be exempt from withholding tax ("WHT"), while distribution of the profits earned by a FIE after January 1, 2008 to its foreign investors should be subject to WHT.

Prior to the enactment of the Act, Shandong Spring intends to reinvest its earnings to further expand its businesses in mainland China, it does not intend to declare dividends to their immediate foreign holding companies in the foreseeable future. Accordingly, the Company has not recorded any deferred taxes in relation to US tax on the cumulative amount of undistributed retained earnings since January 1, 2008. Under the "#1703. Treatment of deferred foreign income upon transition to new participation exemption system-deemed repatriation" of the Act, U.S. shareholders owning at least 10% of a foreign subsidiary generally must include income, for the subsidiary's last tax year beginning before 2018, the shareholder's pro rata share of the accumulated post-'86 historical E&P of the foreign subsidiary as of the "measurement date" to the extent such E&P has not been previously subject to U.S. tax. The Company assessed its income tax effects of the Act and concluded that it had no one-time transition tax liability on its cumulative amount of undistributed retained earnings since January 1, 2008 as the Company had enough foreign tax credits available to offset the resulting incremental tax.

The reconciliation of income tax expense at the U.S. statutory rate of 21% to the Company's effective tax rate is as follows:

	Nine Months Ended December 31, 2019		Nine Months Ended December 31, 2018	
U.S. Statutory rate	$	-	$	3,726,257
Tax rate difference between China and U.S.		-		709,763
Temporary difference		153,934		-
Effective tax rate	$	153,934	$	4,436,020

The provisions for income taxes are summarized as follows:

	Nine Months Ended December 31, 2019		Nine Months Ended December 31, 2018	
Current	$	-	$	4,335,642
Deferred		153,934		100,378
Total	$	153,934	$	4,436,020

NOTE 9 - STOCKHOLDERS' EQUITY

On June 4, 2018, the Company issued 50,000 shares of common stock to a consultant for marketing consulting services, which were valued at $41,000 based on the quoted market price at issuance.

NOTE 10 - RELATED PARTY TRANSACTIONS AND BALANCES

Balances:

(i) Security deposit to related party:

The security deposit to related party of $1,433,445 represents the deposit paid to Shandong Yongchuntang Group Co., Ltd ("Shandong Yongchuntang") on January 4, 2017 for using the direct-sales license issued to Shandong Yongchuntang. The amount is non-interest bearing and not secured. Shandong Yongchuntang owns 3% of the equity of Spring Pharmaceutical.

(ii) Trade related balance with related party:

On December 31, 2019 and March 31, 2019, purchase deposit to related party were $0 and 1,485,112, respectively. The purchase deposit of $1,485,112 on March 31, 2019 was paid in respect of the purchase of healthcare products from Shandong Yongchuntang. During the quarter ended December 31, 2019, the purchase deposit was fully refunded since the Company has ceased to buy the health care supplement products from the related party.

Transactions:

(i) Purchase from related party (See Note 11)

Contingency:

The Company is authorized by Shandong Yongchuntang to sell Shandong Yongchuntang's products using the direct-sales license issued to Shandong Yongchuntang. As a condition for using the direct-sales license, the Company needs to make 20% sales increase each year based on 95% of sales in the year 2014. If the Company cannot meet this sales target in any year from April 1, 2017 to June 30, 2020, a security deposit of approximately $1.5 million (RMB 10 million) will be used as an annual fee for using the direct-sales license. There is a risk that the Company may fail to meet the sales target and may need to pay approximately $1.5 million (RMB 10 million) in the subsequent years. The Company has ceased to distribute health care supplement products since January 2019 but hasn’t reach any agreement with Shandong Yongchuntang for settlement of the security deposit.

NOTE 11 - MAJOR CUSTOMERS AND VENDOR

The Company sold products through six and ten distributors during the three months and nine months ended December 31, 2019 and 2018, respectively. Sales to two distributors represented 32% and 17% of total sales for the three months ended December 31, 2019 and sales to five distributors represented 15%, 14%, 12%, 11%, and 11% of total sales for the three months ended December 31, 2018, respectively.

The Company's sales through three distributors represented 31%, 27%, and 23% of total sales for the nine months ended December 31, 2019. Sales to six distributors represented 16%, 14%, 12%, 11%, 11%, and 10% of total sales for the nine months ended December 31, 2018.

The Company sold 2 and 12 products during the three months ended December 31, 2019 and 2018, respectively. Sales of three products represented 37%, 22%, and 11% of total sales for the three months ended December 31, 2018.

The Company sold 2 and 12 products during the nine months ended December 31, 2019 and 2018, respectively. Sales of three products represented 37%, 24%, and 12% of total sales for the nine months ended December 31, 2018.

During the three and nine months ended December 31, 2019, we did not purchase any products from Shandong Yongchuntang because the Company has ceased to distribute health care supplement products since January 2019. The purchases from two third party vendors represented 54% and 25% of the Company’s total purchases for the three months ended December 31, 2019. The purchases from two third party vendors represented 44% and 39% of the Company’s total purchases for the nine months ended December 31, 2019.

Prior to January 2019, the Company purchased its products from Shandong Yongchuntang, a related party, according to the purchase contract signed between the Company and Shandong Yongchuntang. Pursuant to this most recently renewed one-year contract, the Company continued to purchase the nine products from Shandong Yongchuntang at fixed prices without changes in any terms of the previous contract. Total purchases from Shandong Yongchuntang represented 36% and 38% of our total purchases during the three and nine months ended December 31, 2018, respectively. The purchases from three other vendors represented 31%, 13%, and 10% of the Company's total purchases for the three months ended December 31, 2018. The purchases from three other vendors represented 28%, 12%, and 11% of the Company's total purchases for the nine months ended December 31, 2018.

NOTE 12 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events that have occurred after the date of the balance sheet through the date of issuance of these consolidated financial statements and determined that no subsequent event requires recognition or disclosure to the consolidated financial statements.