

CHINA JO-JO DRUGSTORES, INC.
Form 10-Q
February 14, 2011

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 quarterly period ended: December 31, 2010

or

Transition Report Pursuant To Section 13 Or 15(d) Of The Securities
Exchange Act Of 1934

For the transition period from _____ to _____

Commission File Number: 001-34711

CHINA JO-JO DRUGSTORES, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation of
origination)

98-0557852
(I.R.S. Employer
Identification Number)

Room 507-513, 5th Floor A Building, Meidu Plaza
Gongshu District, Hangzhou, Zhejiang Province
People's Republic of China
(Address of principal executive offices)

N/A
(Zip code)

+86 (571) 88077078
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

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(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each issuer's classes of common stock, as of the latest practicable date:
13,519,434 shares issued and outstanding as of February 11, 2011.

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CAUTION REGARDING FORWARD-LOOKING INFORMATION

All statements contained in this Quarterly Report on Form 10-Q ("Form 10-Q") for China Jo-Jo Drugstores, Inc., other than statements of historical facts, that address future activities, events or developments are forward-looking statements, including, but not limited to, statements containing the words "believe," "anticipate," "expect" and words of similar import. These statements are based on certain assumptions and analyses made by us in light of our experience and our assessment of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. However, whether actual results will conform to the expectations and predictions of management is subject to a number of risks and uncertainties that may cause actual results to differ materially.

Such risks include, among others, the following: national and local general economic and market conditions; our ability to sustain, manage or forecast our growth; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other factors referenced in this and previous filings.

Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results anticipated by management will be realized or, even if substantially realized, that they will have the expected consequences to or effects on our business operations.

CHINA JO-JO DRUGSTORES, INC. AND SUBSIDIARIES
(FORMERLY KNOWN AS KERRISDALE MINING CORPORATION)
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2010 (Unaudited)	MARCH 31, 2010
A S S E T S		
CURRENT ASSETS		
Cash	\$ 6,854,386	\$801,593
Restricted cash	1,199,492	746,703
Accounts receivable, trade, net	3,480,746	1,228,294
Inventories	5,184,838	3,770,411
Other receivables	650,912	282,073
Advances to suppliers	18,070,653	6,850,240
Other current assets	1,795,162	1,331,167
Total current assets	37,236,189	15,010,481
PROPERTY AND EQUIPMENT, net	3,063,150	1,186,292
OTHER ASSETS		
Goodwill	460,602	
Long term deposit	2,390,449	2,311,661
Prepaid - noncurrent	5,927,597	5,508,963
Total other assets	8,778,648	7,820,624
Total assets	\$ 49,077,987	\$24,017,397
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable, trade	\$ 4,389,305	\$2,330,317
Notes payable	2,689,880	1,464,241
Other payables	174,630	225,716
Other payables - related parties	880,058	935,000
Taxes payable	1,238,004	1,235,083
Accrued liabilities	115,828	257,091
Short-term loans	-	880,200
Total current liabilities	9,487,705	7,327,648
Purchase option derivative liability	310,905	-
Total liabilities	9,798,610	7,327,648
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock; \$0.001 par value; 500,000,000 and 250,000,000		

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shares authorized; 13,519,434 and 10,000,000 shares issued and outstanding as of December 31, 2010 and March 31, 2010, respectively	13,519	10,000
Paid-in capital	16,278,425	877,884
Statutory reserves	1,309,109	1,309,109
Retained earnings	20,872,382	14,855,016
Accumulated other comprehensive income (loss)	805,942	(362,260)
Total shareholders' equity	39,279,377	16,689,749
Total liabilities and shareholders' equity	\$ 49,077,987	\$24,017,397

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

CHINA JO-JO DRUGSTORES, INC. AND SUBSIDIARIES
(FORMERLY KNOWN AS KERRISDALE MINING CORPORATION)

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
(UNAUDITED)

	Three months ended December 31,		Nine months ended December 31,	
	2010	2009	2010	2009
REVENUES, NET	\$ 18,042,309	\$ 14,923,706	\$ 48,927,907	\$ 38,863,743
COST OF GOODS SOLD	12,713,181	10,156,871	34,576,771	27,574,136
GROSS PROFIT	5,329,128	4,766,835	14,351,136	11,289,607
SELLING EXPENSES	1,337,055	912,312	3,339,928	1,986,471
GENERAL & ADMINISTRATIVE EXPENSES	1,227,520	441,861	2,758,654	1,372,205
OPERATING EXPENSES	2,564,575	1,354,173	6,098,582	3,358,676
INCOME FROM OPERATIONS	2,764,553	3,412,662	8,252,554	7,930,931
OTHER INCOME (EXPENSE), NET	112,736	31,557	60,985	41,800
CHANGE IN FAIR VALUE OF PURCHASE OPTION DERIVATIVE LIABILITY	119,595	-	91,546	-
INCOME BEFORE INCOME TAXES	2,996,884	3,444,219	8,405,085	7,972,731
PROVISION FOR INCOME TAXES	759,431	797,866	2,387,719	2,023,621
NET INCOME	2,237,453	2,646,353	6,017,366	5,949,110
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustments	514,170	1,520	1,168,202	12,691
COMPREHENSIVE INCOME	\$ 2,751,623	\$ 2,647,873	\$ 7,185,568	\$ 5,961,801
WEIGHTED AVERAGE NUMBER OF SHARES:				
Basic	13,500,002	10,000,000	13,220,002	8,704,745
Diluted	13,500,002	10,000,000	13,220,002	8,704,745
EARNINGS PER SHARES:				
Basic	\$0.17	\$0.26	\$0.46	\$0.68
Diluted	\$0.17	\$0.26	\$0.46	\$0.68

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

CHINA JO-JO DRUGSTORES, INC. AND SUBSIDIARIES
(FORMERLY KNOWN AS KERRISDALE MINING CORPORATION)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Paid-in capital	Retained Earnings		Accumulated other comprehensive income (loss)	Total
	Number of shares	Amount		Statutory reserves	Unrestricted		
BALANCE, March 31, 2009	7,900,000	\$ 7,900	\$ 669,700	\$ 1,309,109	\$ 5,033,275	\$ (362,437)	\$ 6,657,547
Shares issued for reorganization on September 17, 2009	2,100,000	2,100	(2,100)				