

CHINA JO-JO DRUGSTORES, INC.
Form 10-K
April 12, 2010

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

FORM 10-K

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

For the fiscal year ended July 31, 2009

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-53353

CHINA JO-JO DRUGSTORES, INC.

(Exact name of registrant as specified in its charter)

Nevada

98-0557852

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

Room 507-513, 5th Floor A Building, Meidu Plaza
Gongshu District
Hangzhou, Zhejiang Province
People's Republic of China

(Address of Principal Executive Offices)

+86 (571) 88077078

(Issuer Telephone Number)

N/A

(Former name or former address, if changed since last report)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained herein, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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" 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 Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of the last business day of the registrant's most recently completed second fiscal quarter. \$0.00

The registrant had a total of 4,200,000 shares of common stock outstanding as of September 16, 2009.

Explanatory Note

China Jo-Jo Drugstores, Inc. (the “Registrant”) is filing this annual report on Form 10-K for the fiscal year ended July 31, 2009 of Kerrisdale Mining Corporation (“Kerrisdale”), its corporate predecessor entity, in response to a comment from the Staff of the Securities and Exchange Commission (“SEC”) in connection with the Registrant’s registration statement on Form S-1 filed with the SEC (SEC File Number 333-163879).

As disclosed in the current report on Form 8-K filed with the SEC on September 24, 2009 (the “Form 8-K”), on September 17, 2009, Kerrisdale completed a share exchange transaction with Renovation Investment (Hong Kong) Co., Ltd. (“Renovation”) and its shareholders that resulted in Renovation becoming a wholly-owned subsidiary and the new operating business of Kerrisdale. The share exchange transaction was accounted for as a reverse acquisition and recapitalization and, as a result, the consolidated financial statements of Kerrisdale (the legal acquirer) have become, in substance, those of Renovation (the accounting acquirer), with the assets and liabilities, and revenues and expenses, of Kerrisdale being included effective from the date of the share exchange transaction. Additionally, as disclosed in the Form 8-K, Kerrisdale changed its fiscal year-end in connection with the share exchange transaction, from July 31 to March 31. However, because the share exchange transaction was not completed until after the end of Kerrisdale’s original fiscal year on July 31, 2009, the Staff is requiring the Registrant to file this Form 10-K to report Kerrisdale’s business activities for such fiscal year period.

Accordingly, this 10-K and the disclosures and financial statements contained herein speak to the operations and financial conditions of Kerrisdale as of July 31, 2009, and where indicated, as of September 16, 2009, immediately prior to its consummation of the share exchange transaction with Renovation.

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PART I

ITEM 1. BUSINESS

General

Kerrisdale Mining Corporation (“Kerrisdale”) incorporated on December 19, 2006 under the laws of the state of Nevada. Kerrisdale is an exploration stage company. Kerrisdale does not own an interest in any property, but acquired the right to conduct exploration activities on one property referred to herein as the Kerrisdale Property, consisting of approximately 369.5 hectares (approximately 910 acres) located in the south-center region of British Columbia, Canada.

Kerrisdale’s exploration right, in the form of a mineral claim, was acquired in April 2007 by John Morita, who was at the time president, chief executive officer, and director of Kerrisdale, by arranging the staking of the same through Percy Cox, a non-affiliated third party. Mr. Cox is a self employed contract staker and field worker residing in Kamloops, British Columbia. The property was selected because copper, gold and platinum has been discovered in the area.

As of September 16, 2009, the Kerrisdale Property was unencumbered. Accordingly, there were no claims, liens, charges or liabilities against the property as of such date. In addition, there were no native land claims or other types of competitive claims against the property through which an unaffiliated third party could claim an interest in the property.

Subsequent Events

On September 17, 2009, Kerrisdale consummated a share exchange transaction by which it acquired a retail pharmacy chain business in the People’s Republic of China (“China” or the “PRC”) pursuant to a share exchange agreement by and among Kerrisdale, Renovation Investment (Hong Kong) Co., Ltd., a Hong Kong company (“Renovation”), and the shareholders who, immediately prior to the closing of share exchange transaction, collectively held 100% of Renovation’s issued and outstanding share capital (the “Renovation Shareholders”). Renovation is a holding company that, through its wholly-owned subsidiary in China, Zhejiang Jiuxin Investment Management Co., Ltd., controls three PRC companies by a series of contractual arrangements: (1) Hangzhou Jiuzhou Grand Pharmacy Chain Co., Ltd., (2) Hangzhou Jiuzhou Clinic of Integrated Traditional and Western Medicine (General Partnership), and (3) Hangzhou Jiuzhou Medical & Public Health Service Co., Ltd. (collectively “Jo-Jo Drugstores”). All of the operations of the retail pharmacy chain acquired by Kerrisdale through the share exchange transaction are conducted by these three companies. The terms of the share exchange agreement and the share exchange transaction, as well as a description of the business operations of Jo-Jo Drugstores, were first disclosed in a current report on Form 8-K filed with the SEC on September 24, 2009.

In connection with the share exchange transaction, Kerrisdale changed its name to “China Jo-Jo Drugstores, Inc.” on September 24, 2009.

Kerrisdale’s Claim

The following sets forth the tenure number, claim, date of recording and expiration date of Kerrisdale’s claim to the Kerrisdale Property:

Claim No.	Document Description	Recording	Expiration
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550556

KERRISDALE1

1-29-2007

1-29-2010

2

Kerrisdale's claim consisted of 18 contiguous units comprising of a total of 369.5 hectares. The amount of assessment work required to hold the claim in good standing is \$4.00 per hectare per year for the first 3 years, then \$8.00 per hectare thereafter. Thus, for the Kerrisdale Property, the amount required for the first three years is 1478.00 Canadian Dollars (CND) (approximately \$1,330.00) per year minimum. In June 2007, Kerrisdale engaged Jamie Pardy, a professional geologist, to carry out the first geological work on the claim. A geological and geochemical report was written and submitted to the Ministry of Energy & Mines in British Columbia, Canada. The total cost of the work was CND3956.56. With the assessment work completed, Kerrisdale's claim remained in good standing until January 29, 2010.

Location and Access

The Kerrisdale Property is located approximately 12 km by road north-northwest of the Village of Logan Lake, British Columbia, and approximately 42 km due west-southwest of the City of Kamloops. Road access is made from Logan Lake by driving 5.9 km north on Highway 97C then 7 km north-west on loose surface roads to the western limits of the claim block. The tenure is located on BCGS map sheet 092I056. The center of the property lies at UTM Zone 10, 0650006E, 5602359N. The property can be easily accessed for day trips from Logan Lake, Kamloops or even the Lower Mainland area. An electric power transmission line crosses the tenure at its eastern end and a larger higher capacity line also transects the property, further improving road access with transmission line trails. A Federal Corrections Canada camp facility and a homestead lie at the eastern limits of the tenure.

MAP 2

Property Geology

Kerrisdale 550556 lies across the northeastern boundary of the Late Triassic-Early Jurassic age Guichon Creek batholith. The Kerrisdale Property is mapped by the BC Geological Survey (Massey, MacIntyre, Desjardins, Cooney, 2005) as underlain by the Border Phase of the Guichon Creek batholith and the Nicola Group volcanic rocks; however, no outcrop is observed on the property. The thickness of the evident glacial overburden deposits is not exactly known, but is exposed in a number of road cuts through the property.

The western 1/3 to 1/2 of the property is most interesting geologically based on regional scale government maps that indicate that it is underlain by the rocks of the Guichon Creek batholith, albeit the Border phase component that is not known to host economically viable copper-molybdenum deposits that occur in the interior phases of the pluton.

The most significant mineral deposit model applicable to exploration in the area is large calcalkalic type copper-molybdenum deposits. Diatomite is also reported to occur approximately 1/2 km north of the property boundary (MINFILE 092INE163 Guichon Creek) in a meadow located just east of Guichon Creek about 4 kilometers south of Tunkwa Lake, but within the Tunkwa Provincial Park.

Initial Exploration Program

The initial work on the Kerrisdale Property was completed in June 2007 by Jamie Pardy and a field assistant, and included prospecting and a soil geochemical survey.

Property orientation and initial prospecting for outcrop and mapping of overburden boulders was conducted on day one, prospecting and soil sampling was completed on day two, and further prospecting for outcrop and mineralization was completed on day three. More detailed prospecting and the soil sampling focused on the western half of the property where bedrock is mapped as Guichon Creek batholith. One part of the claim was off limits to access due to the presence of a Federal Corrections Canada camp and a homestead located in the low-lying Guichon Creek watercourse, namesake of the plutonic rocks of the area. From vantage points to the west and east, no outcrop was visible in the low-lying Guichon Creek watercourse area.

No outcrop or mineralized rock was found on the property. A mantle of glacial till of undetermined thickness covers the property. Numerous well-rounded boulders of medium-grained granodiorite and fine-grained, fresh mafic volcanic rocks occur in the glacial till. A small number of intermediate to mafic volcanic rock boulders also occur in the till and are interpreted to be Nicola Group volcanic rocks. The granodiorite boulders are almost certainly part of the Guichon Creek batholith Border phase.

In total 23 soil samples were collected along 3 separate soil lines along ridges. Samples were taken approximately 100 meters apart. Soil samples were collected as the only practical and applicable method to obtain some form of geochemical data, although the effectiveness of the sampling method is unknown in terms of ability to detect bedrock conditions at an unknown depth. One sample with slightly anomalous copper geochemistry (93.3 ppm Cu) could be attributable to mineralized float and the moisture and clay component of the soil at the sample collection point could also be partially responsible for the slightly elevated value. No outcrop or boulders with copper mineralization were seen in the area. There were no soil samples with anomalous molybdenum or anomalous gold geochemistry.

Soil samples were treated with Acme Analytical Laboratories' SS80 soil sample preparation and Group 1DX analysis package. Soil samples dried at 60 degrees C, then 100 grams was sieved to -80 mesh; a 15.0 gram sample was leached with 90 ml 2-2-2 HCL-HNO₃-H₂O at 95 degree Celsius for one hour, diluted to 300 ml and analyzed by ICP-MS. In-house quality assurance and control of Acme Analytical Laboratories was relied upon for this basic soil sampling program.

There were no significant results from this limited 2007 survey conducted on the Kerrisdale Property.

Further Exploration Program

As July 31, 2009 and through September 16, 2009, immediately prior to the consummation of the share exchange transaction between Kerrisdale and Renovation, no further exploration program had been undertaken due to the lack of funds.

Competition

The copper and gold mining industry is fragmented. As of July 31, 2009 and through September 16, 2009, immediately prior to the consummation of the share exchange transaction between Kerrisdale and Renovation, Kerrisdale competed with other exploration companies looking for copper and gold, and was one of the smallest exploration companies in existence. There was no competition, however, for the exploration or removal of mineral from the Kerrisdale Property during such periods. Readily available markets exist in Canada and around the world for the sale of gold and copper. Therefore, Kerrisdale should have been able to sell such gold or copper that it was able to

recover, if any.

Government Regulations

Mineral exploration at the Kerrisdale Property is subject to the British Columbia Mineral Tenure Act, which sets forth rules for:

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- locating claims
- working claims
- reporting work performed

Mineral exploration at the Kerrisdale Property is also subject to the British Columbia Mineral Exploration Code, which regulates how and where minerals can be explored. Kerrisdale must comply with these laws to operate its business. As Kerrisdale did not engage in any exploration activities as of July 31, 2009 and through September 16, 2009, immediately prior to the closing of the share exchange transaction between Kerrisdale and Renovation, Kerrisdale did not have any compliance issue as of such periods.

Environmental Laws

Kerrisdale is also subject to the Health, Safety and Reclamation Code for Mines in British Columbia, which deals with environmental matters relating to the exploration and development of mineral properties. Its goals are to protect the environment through a series of regulations affecting:

- Health and Safety
- Archaeological Sites
- Exploration Access

Kerrisdale would be responsible to provide a safe working environment, not disrupt archaeological sites, and conducts its activities to prevent unnecessary damage to the property. As of July 31, 2009 and through September 16, 2009, immediately prior to the consummation of the share exchange transaction between Kerrisdale and Renovation, Kerrisdale did not have any compliance issue with such law as it did not engage in any exploration activities during such periods.

Employees

As of July 31, 2009 and through September 16, 2009, immediately prior to the closing of the share exchange transaction between Kerrisdale and Renovation, Kerrisdale had no employees, other than its sole officer and director at such periods, Mr. Huoqi Chen. Mr. Chen was a part-time employee and devoted about 10% of his time to Kerrisdale's operation. Kerrisdale did not have employment agreements with Mr. Chen, nor did Kerrisdale have pension, health, annuity, insurance, stock options, profit sharing or similar benefit plans.

ITEM 1A.

RISK FACTORS

Kerrisdale is a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not required to provide the information under this item.

ITEM 1B.

UNRESOLVED STAFF COMMENTS

Not applicable

ITEM 2. PROPERTIES

Through September 16, 2009, immediately prior to the closing of the share exchange transaction between Kerrisdale and Renovation, Kerrisdale's executive offices were located at 750 Floor 8, Xueyuan Tower, No. 1 Zhichun Road, Beijing, PRC. Mr. Huoqi Chen, Kerrisdale's then sole officer and director, provided this office space free of charge and Kerrisdale had no lease.

Subsequent Event

Kerrisdale continued to maintain the foregoing address until September 17, 2009, when it consummated the share exchange transaction with Renovation and acquired the business operations of Jo-Jo Drugstores. A description of the offices and facilities of Jo-Jo Drugstores is set forth in the registration statement on Form S-1 first filed with the SEC on December 21, 2009, and the amendments thereto.

ITEM 3. LEGAL PROCEEDINGS

None

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On May 1, 2008, Kerrisdale's shares of common stock commenced trading on the Over-The-Counter Bulletin Board (the "OTCBB") under the symbol "KMNG.OB".

The following table sets forth the high and low bid information for Kerrisdale's common stock for each quarter within the last two fiscal years ended July 31, 2009 and interim periods, as reported by the OTC Bulletin Board. The bid prices reflect inter-dealer quotations, do not include retail markups, markdowns, or commissions, and do not necessarily reflect actual transactions.

	Low	High
2009		
Quarter ended September 30, 2009 (1)	0.00	0.00
Quarter ended June 30, 2009	0.00	0.00
Quarter ended March 31, 2009	0.00	0.00
2008		
Quarter ended December 31, 2008	\$ 0.15	\$ 0.55
Quarter ended September 30, 2008	0.25	1.12
Quarter ended June 30, 2008 (2)	0.00	1.11

(1) Reflect prices through September 16, 2009, immediately prior to the closing of the share exchange transaction between Kerrisdale and Renovation.

(2) Reflect prices beginning May 1, 2008

Holdings

As of September 16, 2009, immediately prior to the closing of the share exchange transaction between Kerrisdale and Renovation, there were 18 stockholders of record of Kerrisdale's common stock (not including beneficial owners who hold shares at broker/dealers in "street name").

Dividend

Through September 16, 2009, Kerrisdale had not paid cash dividends in the past, nor are cash dividends expected to be paid for the foreseeable future. Earnings, if any, will be retained for the development of business.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

SPECIAL NOTE OF CAUTION REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS IN THIS REPORT, INCLUDING STATEMENTS IN THE FOLLOWING DISCUSSION ARE WHAT ARE KNOWN AS "FORWARD-LOOKING STATEMENTS," WHICH ARE BASICALLY STATEMENTS ABOUT THE FUTURE. FOR THAT REASON, THESE STATEMENTS INVOLVE RISK AND UNCERTAINTY SINCE NO ONE CAN ACCURATELY PREDICT THE FUTURE. WORDS SUCH AS "PLANS," "INTENDS," "WILL," "HOPES," "SEEKS," "ANTICIPATES," "EXPECTS," AND THE LIKE, OFTEN IDENTIFY SUCH FORWARD-LOOKING STATEMENTS, BUT ARE NOT THE ONLY INDICATION THAT A STATEMENT IS A FORWARD-LOOKING STATEMENT. SUCH FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS CONCERNING OUR PLANS AND OBJECTIVES WITH RESPECT TO THE PRESENT AND FUTURE OPERATIONS OF THE COMPANY, AND STATEMENTS WHICH EXPRESS OR IMPLY THAT SUCH PRESENT AND FUTURE OPERATIONS WILL OR MAY PRODUCE REVENUES, INCOME OR PROFITS. NUMEROUS FACTORS AND FUTURE EVENTS COULD CAUSE THE COMPANY TO CHANGE SUCH PLANS AND OBJECTIVES, OR FAIL TO SUCCESSFULLY IMPLEMENT SUCH PLANS OR ACHIEVE SUCH OBJECTIVES, OR CAUSE SUCH PRESENT AND FUTURE OPERATIONS TO FAIL TO PRODUCE REVENUES, INCOME OR PROFITS. THEREFORE, THE READER IS ADVISED THAT THE FOLLOWING DISCUSSION SHOULD BE CONSIDERED IN LIGHT OF THE DISCUSSION OF RISKS AND OTHER FACTORS CONTAINED IN THIS REPORT ON FORM 10-K AND IN THE COMPANY'S OTHER FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION. NO STATEMENTS CONTAINED IN THE FOLLOWING DISCUSSION SHOULD BE CONSTRUED AS A GUARANTEE OR ASSURANCE OF FUTURE PERFORMANCE OR FUTURE RESULTS.

Overview

Kerrisdale was incorporated December 19, 2006 under the laws of the State of Nevada. Since inception and until the consummation of the share exchange transaction with Renovation on September 17, 2009, Kerrisdale was a start-up, exploration-stage, company and did not generate or realize any revenues from its business activities. Kerrisdale did not own any interest in any property, but merely had the right to conduct exploration activities on the Kerrisdale Property, to which limited initial geological work was completed in June 2007.

During fiscal year ended July 31, 2009, Kerrisdale continued as a start-up company, and did not generate or realize any revenues from its business operations during such period. As a result, the auditors that have audited Kerrisdale's financial statements for its fiscal year ended July 31, 2009 have issued a going concern opinion that there is substantial doubt that Kerrisdale could continue as an on-going business for the twelve months following July 31, 2009, unless additional capital could be raised to pay its operating expenses.

Plan of Operations

In June, 2007, the initial geological work on the Kerrisdale Property was completed and a preliminary geological report was produced. As of fiscal year ended July 31, 2009, there was no plan to commence initial exploration due to the lack of funds for such endeavor, estimated at approximately \$15,000. At July 31, 2009, Kerrisdale had approximately \$691 of cash on hand, insufficient to cover basic operating expenses and costs associated with preparation and filing of required periodic reports for its next fiscal year.