

CHINA JO-JO DRUGSTORES, INC.
Form 424B5
July 21, 2015

PROSPECTUS SUPPLEMENT **Filed pursuant to Rule 424(b)(5)**
(To Prospectus dated August 29, 2014) **File No. 333-198001**

CHINA JO-JO DRUGSTORES, INC.

1,200,000 Shares of Common Stock

and

Warrants to purchase up to 600,000 Shares of Common Stock

Pursuant to this prospectus supplement and the accompanying prospectus, we are offering directly to select accredited investors 1,200,000 shares of our common stock (the “Shares”) together with warrants to purchase up to an aggregate of 600,000 shares of common stock at an exercise price of \$3.10 per share (the “Warrants”). The Warrants are initially exercisable six months following the date of issuance and are exercisable by the holders at any time during the five-year period following the date on which they are initially exercisable. In connection with this offering, we will also issue, as additional compensation, to H.C. Wainwright & Co., LLC, our exclusive placement agent, placement agent warrants to purchase up to 6% of the Shares placed in this offering, which warrants shall have substantially the same terms as the Warrants and are also being offered pursuant to this prospectus supplement (the “Placement Agent Warrants”).

The Shares and the Warrants will be sold together as a unit consisting of one Share and a Warrant (to purchase 0.5 shares of our common stock for each Share included in the unit). The purchase price per unit will be \$2.50. The Shares and the Warrants will be issued separately but can only be purchased together in this offering. The shares of common stock issuable from time to time pursuant to the exercise of the Warrants and the Placement Agent Warrants are also being offered pursuant to this prospectus supplement and the accompanying prospectus.

Our common stock trades on the NASDAQ Capital Market under the symbol “CJJD.” The last reported sale price of our common stock on the NASDAQ Capital Market on July 17, 2015 was \$3.09 per share. There is no established public trading market for the Warrants and we do not expect a market to develop. In addition, we do not intend to apply for listing of the Warrants on any national securities exchange.

As of July 17, 2015, the aggregate market value of our outstanding common stock held by non-affiliates was approximately \$25,402,958 based on 15,650,504 shares of outstanding common stock, of which 7,429,482 shares

were held by affiliates as of such date, and a price of \$3.09 per share, which was the last reported sale price of our common stock as quoted on the NASDAQ Capital Market on July 17, 2015. We have not offered securities pursuant to General Instruction I.B.6 of Form S-3 during the prior 12 calendar month period that ends on, and includes, the date of this prospectus supplement.

	Per Unit	Total
Public offering price	\$2.50	\$3,000,000
Placement agent fees	\$0.15	\$180,000
Proceeds, before other expenses, to us (1)	\$2.35	\$2,820,000

(1) We also have agreed to pay H. C. Wainwright & Co., Inc. a \$50,000 non-accountable expense allowance.

We have retained H.C. Wainwright & Co., LLC to act as exclusive placement agent in connection with this offering. The placement agent has no obligation to buy any of the securities from us or to arrange for the purchase or sale of any specific number or dollar amount of securities. See “Plan of Distribution” beginning on page S-10 of this prospectus supplement for more information regarding these arrangements.

Investing in our securities involves a high degree of risk. See the section entitled “Risk Factors” beginning on page S-6 of this prospectus supplement and in the documents that we incorporate by reference in this prospectus supplement and the accompanying prospectus. You should carefully consider these risk factors, as well as the information contained in this prospectus supplement and the accompanying prospectus, before you invest.

Neither the Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We estimate the total expenses of this offering, excluding the placement agency fees and expenses, will be approximately \$65,000. Because there is no minimum offering amount required in this offering, the actual offering amount, the placement agent fees and the net proceeds to us, if any, in this offering may be substantially less than the total offering amounts set forth above. We are not required to sell any specific number or dollar amount of the securities offered in this offering, but the placement agent will use its reasonable best efforts to arrange for the sale of

all of the securities offered. The closing of the sale of securities will take place on or around July 23, 2015.

H. C. Wainwright & Co.

The date of this prospectus supplement is July 21, 2015

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is a supplement to the accompanying prospectus that is also a part of this document. This prospectus supplement and the accompanying prospectus, dated August 29, 2014, are part of a registration statement on Form S-3 (File No. 333-198001) that we filed with the Securities and Exchange Commission, or the SEC, utilizing a “shelf” registration process. Under this shelf registration process, we may offer and sell from time to time in one or more offerings the securities described in the accompanying prospectus.

This document is in two parts. The first part is this prospectus supplement, which describes the securities we are offering and the terms of the offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which provides more general information, some of which may not apply to the securities offered by this prospectus supplement. Generally, when we refer to this “prospectus,” we are referring to both documents combined. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference therein, on the other hand, you should rely on the information in this prospectus supplement. We urge you to carefully read this prospectus supplement and the accompanying prospectus and any related free writing prospectus, together with the information incorporated herein and therein by reference as described under the heading “Where You Can Find Additional Information,” before buying any of the securities being offered.

You should rely only on the information that we have provided or incorporated by reference in this prospectus supplement and the accompanying prospectus and any related free writing prospectus that we may authorize to be provided to you. We have not, and the placement agent has not, authorized anyone to provide you with different information. No other dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus supplement and the accompanying prospectus or any related free writing prospectus that we may authorize to be provided to you. You must not rely on any unauthorized information or representation. This prospectus supplement is an offer to sell only the securities offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information in this prospectus supplement and the accompanying prospectus or any related free writing prospectus is accurate only as of the date on the front of the document and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any related free writing prospectus, or any sale of a security.

This prospectus supplement contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed, will be filed or will be incorporated by reference as exhibits to the registration statement of which this prospectus supplement is a part, and you may obtain copies of those documents as described below under the heading “Where You Can Find More Information.”

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents that we have filed with the SEC that are incorporated by reference in this prospectus supplement contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and may involve material risks, assumptions and uncertainties. Forward-looking statements typically are identified by the use of terms such as “may,” “will,” “should,” “believe,” “might,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” and similar words, although some forward-looking statements are expressed differently.

Any forward looking statements contained in this prospectus supplement, the accompanying prospectus and the documents that we have filed with the SEC that are incorporated by reference in this prospectus supplement are only estimates or predictions of future events based on information currently available to our management and management’s current beliefs about the potential outcome of future events. Whether these future events will occur as management anticipates, whether we will achieve our business objectives, and whether our revenues, operating results, or financial condition will improve in future periods are subject to numerous risks. There are a number of important factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements. These important factors include those that we discuss under the heading “Risk Factors” and in other sections of our Annual Report on Form 10-K for the fiscal year ended March 31, 2015, as well as in our other reports filed from time to time with the SEC that are incorporated by reference into this prospectus supplement and the accompanying prospectus. You should read these factors and the other cautionary statements made in this prospectus supplement, the accompanying prospectus and in the documents we incorporate by reference into this prospectus supplement and the accompanying prospectus as being applicable to all related forward-looking statements wherever they appear in this prospectus supplement or the documents we incorporate by reference into this prospectus supplement and the accompanying prospectus. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary is not complete and does not contain all of the information that you should consider before investing in the securities offered by this prospectus supplement. You should read this summary together with the entire prospectus supplement and the accompanying prospectus, including our risk factors (as provided for herein and incorporated by reference), financial statements, the notes to those financial statements and the other documents that are incorporated by reference in this prospectus supplement, before making an investment decision. You should carefully read the information described under the heading “Where You Can Find More Information.” We have not authorized anyone to provide you with information different from that contained in this prospectus supplement. The information contained in this prospectus supplement is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement or of any sale of our securities.

Unless the context otherwise requires, the terms “CJJD,” “the Company,” “we,” “us,” and “our” in this prospectus supplement each refer to China Jo-Jo Drugstores, Inc., our subsidiaries, and our consolidated entities. “China” and the “PRC” refer to the People’s Republic of China.

The Company

We were incorporated in Nevada on December 19, 2006, under the name “Kerrisdale Mining Corporation.” On September 24, 2009, the Company changed its name to “China Jo-Jo Drugstores, Inc.” Headquartered in the Zhejiang Province, the Company, through its own retail drugstores, wholesale distributor and online pharmacy, is a leading retailer and wholesale distributor of pharmaceutical and healthcare products in China.

Our Business

We currently operate in four business segments in China: (1) retail drugstores, (2) online pharmacy, (3) wholesale of products similar to those that we carry in our pharmacies, and (4) farming and selling herbs used for traditional Chinese medicine (“TCM”).

Our drugstores offer customers a wide variety of pharmaceutical products, including prescription and over-the-counter (“OTC”) drugs, nutritional supplements, TCM, personal and family care products, and medical devices, as well as convenience products, including consumable, seasonal, and promotional items. Additionally, we have licensed doctors of both western medicine and TCM on site for consultation, examination and treatment of common ailments at scheduled hours. We currently have 59 pharmacies in Hangzhou under the store brand of “Jiuzhou Grand Pharmacy.”

During the year ended March 31, 2015, we opened three new pharmacies and acquired eight pharmacies in Hangzhou.

We operate a wholesale business through Jiuxin Medicine distributing third-party pharmaceutical products (similar to those carried by our pharmacies) primarily to trading companies throughout China. We also farm certain herbs used in TCM that we currently sell to a local vendor. Since May 2010, we have also been selling certain OTC drugs and nutritional supplements online.

The following table breaks down the revenue for our four business segments for the years ended March 31, 2015 and 2014:

	Years ended March 31, 2015		2014		Variance by amount	% of change
	Amount	% of total revenue	Amount	% of total revenue		
Revenue from retail business						
Revenue from drugstores	\$48,799,736	63.5	% \$40,096,781	60.6	% \$8,702,955	21.7
Revenue from online sales	14,879,397	19.4	% 7,560,135	11.4	% 7,319,262	96.8
Sub-total of retail revenue	63,679,133	82.9	% 47,656,916	72.0	% 16,022,217	33.6
Revenue from wholesale business	13,216,599	17.1	% 18,497,671	28.0	% (5,281,072)	(28.5)%
Revenue from herb farming business	-	-	% -	-	% -	N/A
Total revenue	\$76,895,732	100.0	% \$66,154,587	100.0	% \$10,741,145	16.2

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The Offering

Common stock
offered by us

(Not including Shares
issuable upon exercise
of the Warrants) 1,200,000 Shares

Common stock to be
outstanding after this
offering 16,850,504 Shares
(assuming no exercise
of the warrants offered
by us)

Warrants offered by us Warrants to purchase an aggregate of 600,000 Shares at an exercise price of \$3.10 per share. The Warrants are initially exercisable by the holders at any time beginning six months following the issuance thereof and expire five years from the date on which they are initially exercisable.

This prospectus supplement also relates to the offering of the shares of common stock issuable upon exercise of the Warrants.

Use of proceeds We intend to use the net proceeds from this offering for working capital and other general corporate purposes. There is no assurance that any of the Warrants will ever be exercised for cash, if at all. See “Use of Proceeds” on page S-7.

Market for the Shares
and Warrants Our common stock is quoted and traded on the NASDAQ Capital Market under the symbol “CJJD.” However, there is no established public trading market for the Warrants, and we do not expect a market to develop. In addition, we do not intend to apply to list the Warrants on any securities exchange. The Warrants are immediately separable from the Shares being offered as part of the Units.

Risk factors You should read the “Risk Factors” section on page S-6 of this prospectus supplement, the “Risk Factors” section beginning on page 5 of the accompanying prospectus, and the “Risk Factors” section in our Annual Report on Form 10-K for the year ended March 31, 2015, for a discussion of factors to consider before deciding to purchase our securities.

The number of shares of our common stock to be outstanding after this offering (16,850,504) is based on the actual number of shares outstanding as of July 17, 2015, which was 15,650,504, and does not include, as of that date:

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150,000 shares being held in reserve by the Company for its future issuance of shares underlying the warrants and/or options that were outstanding immediately prior to the date hereto;

672,000 shares issuable upon the exercise of the Warrants and the Placement Agent Warrants issued in connection with the offering described in this prospectus supplement; and

967,000 shares available for future issuance under our equity incentive plans.

Unless otherwise stated, outstanding share information throughout this prospectus supplement excludes the above.

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RISK FACTORS

An investment in our securities involves a high degree of risk. Before making any investment decision, you should carefully consider the risk factors set forth in this prospectus supplement, the accompanying prospectus and the information incorporated by reference herein and therein, including under the caption “Risk Factors” in our most recent annual report on Form 10-K, as well as in any applicable prospectus supplement, as updated by our subsequent filings under the Exchange Act.

These risks could materially affect our business, results of operation or financial condition and affect the value of our securities. Additional risks and uncertainties that are not yet identified may also materially harm our business, operating results and financial condition and could result in a complete loss of your investment. You could lose all or part of your investment. For more information, see “Where You Can Find More Information.”

Risks Related to This Offering

Management will have broad discretion as to the use of the proceeds from this offering, and we may not use the proceeds effectively.

Subject to certain restrictions in the securities purchase agreement, our management will have significant flexibility in applying the net proceeds of this offering. You will be relying on the judgment of our management with regard to the use of these net proceeds, and in general you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. It is possible that the net proceeds will be invested in a way that does not yield a favorable, or any, return for us. The failure of our management to use such funds effectively could have a material adverse effect on our business, financial condition, operating results and cash flow.

You will experience immediate dilution in the book value per share of the common stock you purchase.

Because the price per share of our common stock being offered is higher than the book value per share of our common stock, you will suffer substantial dilution in the net tangible book value of the common stock you purchase in this offering. Based on the initial offering price of \$2.50 per Share, if you purchase the Shares offered in this offering, you will suffer immediate and substantial dilution per Share in the net tangible book value of the common stock.

There is no public market for the warrants to purchase common stock in this offering.

There is no established public trading market for the Warrants being sold in this offering, and we do not expect a market to develop. In addition, we do not intend to apply to list the Warrants on any securities exchange. Without an active market, the liquidity of the warrants will be limited.

The Warrants may not have any value

The Warrants have an exercise price of \$3.10 per share and can be exercised during the five-year period beginning on the six month anniversary of the date of issuance. In the event our common stock price does not exceed the exercise price of the Warrants during the period when the Warrants are exercisable, the Warrants may not have any value.

Holders of the Warrants will have no rights as common stockholders until they acquire our common stock.

Until you acquire shares of our common stock upon exercise of any of the Warrants, you will have no rights with respect to our common stock. Upon exercise of any Warrants held, you will be entitled to exercise the rights of a common stockholder only as to matters for which the record date occurs after the exercise date.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering will be approximately \$2,705,000, after deducting the placement agency fees and the estimated offering expenses payable by us. We will not receive any proceeds from the sale of common stock issuable upon exercise of the Warrants that we are offering unless and until such Warrants are exercised.

If all of the Warrants that are being issued to the investors and the placement agent in connection with this offering are fully exercised for cash, we would receive additional aggregate proceeds of approximately \$2.1 million.

We intend to use the net proceeds from this offering for general corporate purposes and working capital, including for research and development, general and administrative expenses, and potential ordinary course acquisitions of technologies that complement our business. In the Securities Purchase Agreement that we entered into with the investors in this offering, we have, subject to certain exceptions, specifically agreed not to use the proceeds of this offering to satisfy any existing debt (other than ordinary course trade payables), to redeem any of our outstanding securities, or to settle any litigation.

We have not specifically identified the precise amounts we will spend on each of these areas or the timing of these expenditures. The amounts actually expended for each purpose may vary significantly depending upon numerous factors, including assessments of potential market opportunities and competitive developments. In addition, expenditures may also depend on the establishment of new collaborative arrangements with other companies, the availability of other financing, and other factors. Subject to any agreed upon contractual restrictions under the terms of the purchase agreement, our management will have some discretion in the application of the net proceeds from this offering. Our stockholders may not agree with the manner in which our management chooses to allocate and spend the net proceeds. Moreover, our management may use the net proceeds for purposes that may not result in our being profitable or increase our market value.

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DESCRIPTION OF THE SECURITIES

We are offering to investors in this offering an aggregate of 1,200,000 Shares, together with Warrants to purchase up to an additional 600,000 shares of our common stock. The Shares and Warrants will be sold together as a unit consisting of one Share and a Warrant (to purchase 0.5 shares of our common stock for each Share included in the unit). We are offering the units at a purchase price of \$2.50 per unit. Units will not be issued or certificated. The Shares and the Warrants are immediately separable and will be issued separately.

This prospectus supplement also relates to the offering of the Placement Agent Warrants and of the 72,000 shares of our common stock issuable upon exercise, if any, of the Placement Agent Warrants.

Common Stock

A description of the Shares of our common stock that we are offering pursuant to this prospectus supplement is set forth under the heading "Description of Common Stock," starting on page 6 of the accompanying prospectus. As of July 17, 2015, we had an aggregate of 15,650,504 issued and outstanding shares of our common stock.

Warrants

The material terms and provisions of the Warrants being offered to investors pursuant to this prospectus supplement are summarized below. The summary is subject to, and qualified in its entirety by, the form of warrant which will be provided to each investor in this offering, which is attached as an exhibit to our Current Report on Form 8-K filed with the SEC in connection with this offering.

The Warrants are exercisable for an aggregate of 600,000 shares of common stock at an exercise price of \$3.10 per share. The Warrants are initially exercisable beginning six months following the issuance thereof, and expire on the five-year anniversary of the date on which they initially become exercisable.

The exercise price and the number of shares issuable upon exercise of the Warrants are subject to an adjustment upon the occurrence of certain events, including, but not limited to, stock splits or dividends, and other similar transactions. The exercise price the Warrants is not subject to an adjustment in the event that the Company issues or is deemed to

issue shares of common stock for less than the applicable exercise price of the Warrants.

Holders of the Warrants may exercise their Warrants by delivering an exercise notice, appropriately completed and duly signed. Payment of the exercise price for the number of shares for which the warrant is being exercised is required to be delivered within two (2) trading days after exercise of a Warrant. In the event that the registration statement relating to such warrant shares is not effective, the holder will have the right to exercise its Warrants for a net number of warrant shares pursuant to the cashless exercise procedures specified in the Warrants. The Warrants may be exercised in whole or in part, and any portion of a Warrant not exercised prior to the termination date shall be and become void and of no value. The absence of an effective registration statement or applicable exemption from registration does not alleviate our obligation to deliver common stock issuable upon exercise of a Warrant.

Upon the holder's exercise of a Warrant, we will issue the shares of common stock issuable upon exercise of such Warrant within three trading days of our receipt of notice of exercise.

Underlying Shares

The shares of common stock issuable upon exercise of the Warrants will be, when issued in accordance with the Warrants, duly authorized, validly issued, fully paid and non-assessable. We will authorize and reserve at least that number of shares of common stock equal to the number of shares of common stock issuable upon exercise of all outstanding Warrants.

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Fundamental Transaction

If, at any time the Warrants are outstanding, we consummate any fundamental transaction, as described in the Warrants, and which term generally includes, but is not limited to the following: (i) any consolidation or merger into another corporation, (ii) the consummation of a transaction whereby another person or entity acquires more than 50% of our outstanding voting stock, (iii) or the sale of all or substantially all of our assets, then, upon any subsequent exercise of the Warrants, the holder shall have the right to receive, for each share of common stock that would have been issuable upon such exercise immediately prior to the occurrence of such fundamental transaction, at the option of the holder, the number of shares of common stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration receivable as a result of such fundamental transaction by a holder of the number of shares of common stock for which the Warrant is exercisable immediately prior to such fundamental transaction. Additionally, in the event of a fundamental transaction, each holder will have the right to require us, or our successor, to repurchase its Warrants for an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of the Warrant.

Limitations on Exercise

The exercisability of the Warrants may be limited in certain circumstances if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of our common stock.

No Stockholder Rights

The holder of a Warrant will not possess any rights as a stockholder under the Warrant until the holder exercises such Warrant.

No Market for Warrants

There is no established public trading market for the Warrants, and we do not expect a market to develop. We do not intend to apply to list the Warrants on any securities exchange. Without an active market, the liquidity of the Warrants will be limited. In addition, in the event the price of our common stock does not exceed the per share exercise price of the Warrants during the period when the Warrants are exercisable, the Warrants will not have any value.

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PLAN OF DISTRIBUTION

Engagement Agreement

We have entered into an engagement agreement (the “Engagement Agreement”), dated July 19, 2015, with H.C. Wainwright & Co., LLC (“Wainwright”), pursuant to which Wainwright agreed to act as our exclusive placement agent in connection with this offering. The Engagement Agreement is attached as an exhibit to our Current Report on Form 8-K filed with the SEC in connection with this offering.

The placement agent is not purchasing or selling any units offered by this prospectus supplement, nor is it required to arrange the purchase or sale of any specific number or dollar amount of securities, but the placement agent has agreed to use its best efforts to arrange for the direct sale of all of the securities in this offering pursuant to this prospectus supplement and the accompanying prospectus. There is no requirement that any minimum number of securities or dollar amount of securities be sold in this offering and there can be no assurance that we will sell all or any of the securities being offered. Therefore, we will enter into a purchase agreement directly with each investor in connection with this offering and we may not sell the entire amount of securities offered pursuant to this prospectus supplement. We have agreed to indemnify the placement agent and purchasers against liabilities under the Securities Act and to contribute to payments that the placement agent may be required to make in respect of such liabilities.

We entered into a Securities Purchase Agreement, dated as of July 19, 2015 with a single health-care focused institutional investor purchasing the securities being issued pursuant to this offering. The form of the Securities Purchase Agreement is attached as an exhibit to our Current Report on Form 8-K filed with the SEC in connection with this offering. The closing of this offering will take place on or around July 23, 2015, and the following will occur:

we will receive funds in the amount of the aggregate purchase price;

the placement agent will receive the placement agent fees and the Placement Agent Warrants in accordance with the terms of the Engagement Agreement; and

we will deliver the units, consisting of the Shares and the Warrants

We have also agreed to indemnify the investors against certain losses resulting from our breach of any of our representations, warranties, or covenants under agreements with the purchasers as well as under certain other circumstances described in the Securities Purchase Agreement.

In connection with this offering, the Placement Agent may distribute this prospectus supplement and the accompanying prospectus electronically.

The placement agent may be deemed to be an underwriter within the meaning of Section 2(a)(11) of the Securities Act, and any fees or commissions received by it and any profit realized on the resale of securities sold by it while acting as principal might be deemed to be underwriting discounts or commissions under the Securities Act. As an underwriter, the placement agent would be required to comply with the requirements of the Securities Act and the Exchange Act, including, without limitation, Rule 415(a)(4) under the Securities Act and Rule 10b-5 and Regulation M under the Exchange Act. These rules and regulations may limit the timing of purchases and sales of shares of common stock and warrants by the placement agent. Under these rules and regulations, the placement agent: (i) may not engage in any stabilization activity in connection with our securities; and (ii) may not bid for or purchase any of our securities or attempt to induce any person to purchase any of our securities, other than as permitted under the Exchange Act, until it has completed its participation in the distribution.

Fees

In exchange for these placement agent services, we have agreed to pay the placement agent upon the closing of this offering a cash fee equal to 6% of the aggregate purchase price of the units sold under this prospectus supplement; plus a non-accountable expense allowance of \$50,000. In addition, we agreed to pay additional compensation in the form of warrants (the Placement Agent Warrants) to purchase that number of shares which equals 6% of the aggregate number of Shares included in the units sold in this offering. The Placement Agent Warrants issuable to the placement agent shall be on substantially the same terms and conditions as the Warrants offered to the investors pursuant to this prospectus supplement. The Placement Agent Warrants and the shares of common stock underlying the Placement Agent Warrants are being registered pursuant to this prospectus supplement.

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Pursuant to FINRA Rule 5110(g), with limited exceptions, neither the Placement Agent Warrants nor any shares issued upon exercise of the Placement Agent Warrants shall be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the date of effectiveness or commencement of sales of this offering.

The following table shows the per unit and total placement agent fees we will pay to the Placement Agent in connection with the sale of units offered pursuant to this prospectus supplement assuming the purchase of all of the units offered hereby:

	Total
Aggregate Offering Price of units	\$3,000,000
Placement agent fees	\$180,000

Because there is no minimum offering amount in this offering, the actual total placement agent fees are not presently determinable and may be substantially less than the maximum amount set forth above.

We estimate the total offering expenses of this offering that will be payable by us, excluding the placement agent fees, will be approximately \$115,000, which include legal and printing costs, various other fees and reimbursement of the placement agent's expenses. At the closing, our transfer agent will credit the Shares to the respective accounts of the purchasers. We will mail the Warrants directly to the purchasers at their respective addresses set forth in the Securities Purchase Agreement.

The foregoing does not purport to be a complete statement of the terms and conditions of the Engagement Agreement and the Securities Purchase Agreement, copies of each of which are attached as an exhibit to our Current Report on Form 8-K filed with the SEC in connection with this offering, and incorporated herein by reference.

LEGAL MATTERS

Selected legal matters with respect to the validity of the securities offered by this prospectus supplement will be passed upon for us by Pryor Cashman LLP, New York, NY. Ellenoff Grossman & Schole LLP, New York, NY acted as counsel to the placement agent.

EXPERTS

The consolidated financial statements of China Jo-Jo Drugstores, Inc. and its subsidiaries as of March 31, 2015, and for the year then ended, have been incorporated by reference in this prospectus supplement and the accompanying prospectus in reliance on the report of BDO China Shu Lun Pan Certified Accountants LLP, an independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of China Jo-Jo Drugstores, Inc. and its subsidiaries as of March 31, 2014, and for the year then ended, have been incorporated by reference in this prospectus supplement and the accompanying prospectus in reliance on the report of Friedman LLP, an independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.