

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

FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2018

OR

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

OR

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

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number 001-36896

JMU Limited

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

**2/F, No. 608, Macau Road,
Putuo District, Shanghai 200060
People's Republic of China**

(Address of principal executive offices)

**Frank Zhigang Zhao
Chief Financial Officer
JMU Limited**

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Phone: +86 21 6015 1166**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American depository shares, each representing 180 ordinary shares, par value US\$0.00001 per share	JMU	The Nasdaq Global Market
Ordinary Shares, par value US\$0.00001 per share		The Nasdaq Global Market*

* Not for trading, but only in connection with the listing on the Nasdaq Global Market of American depository shares, each representing 180 ordinary shares

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

1,476,208,670 Ordinary Shares (excluding ordinary shares in the form of ADS that are reserved for issuance upon the exercise of share awards) as December 31, 2018.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

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

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

☐

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒

International Financial Reporting Standards
as issued by the International Accounting
Standards Board ☐

Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, 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 ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☐ No

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INTRODUCTION

Conventions Used in this Annual Report

In this annual report, unless otherwise indicated or the context otherwise requires, references to:

- “we,” “us,” “our company,” or “our” refers to JMU Limited, which was formerly known as Wowo Limited, its subsidiaries and its consolidated affiliated entities;
- “ordinary shares” refer to our ordinary shares, par value US\$0.00001 per share;
- “ADS” refers to our American depositary shares, each of which represents 180 ordinary shares;
- “Our VIEs” refers to (i) Shanghai Zhongmin Supply Chain Management Co. Ltd., and (ii) Beijing Lianji Technology Co., Ltd., which, together with Shanghai Zhongmin Supply Chain Management Co., Ltd. and its subsidiaries, are consolidated by us as variable interest entities;
- “Our WFOEs” refers to (i) Shanghai Zhongming Supply Chain Management Co. Ltd. and (ii) Beijing Lianji Future Technology Co., Ltd., our subsidiaries in China that are wholly foreign-owned enterprises and have entered into contractual arrangements that give them effective control over Our VIEs;
- “China” or the “PRC” refers to the People’s Republic of China excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan;
- “Renminbi” or “RMB” refers to the legal currency of China; and
- “\$,” “US\$,” “dollar” or “U.S. dollar” refers to the legal currency of the United States.

Our reporting and functional currency is U.S. dollar. This annual report contains translations of certain foreign currency amounts into U.S. dollars for the convenience of the reader. Unless otherwise stated, all translations of Renminbi into U.S. dollars were made at the rate of RMB6.8755 to US\$1.00, the exchange rate as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System in effect as of December 31, 2018. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade.

FORWARD-LOOKING STATEMENTS

Special Note Regarding Forward-Looking Statements

This annual report contains forward-looking statements that involve risks and uncertainties, including statements based on our current expectations, assumptions, estimates and projections about us and our industry. In some cases, these forward-looking statements can be identified by words or phrases such as “aim,” “anticipate,” “believe,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “plan,” “project,” “potential,” “seek,” “may,” “might,” “can,” “could,” “will,” “would,” “shall,” “should,” “is likely to” and the negative form of these words and other similar expressions. The forward-looking statements included in this annual report relate to, among others:

- our goals and strategies;
- our prospects, our business development, the growth of our operations, and our financial condition and results of operations;
- our plans to enhance supplier and customer experience, upgrade our infrastructure and increase our service offerings;
- our expectations regarding demand for and market acceptance of our services;
- competition in our industry in China; and
- fluctuations in general economic and business conditions in China.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations could later be found to be incorrect. Our actual results could be materially different from our expectations. You should thoroughly read this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This annual report contains certain data and information that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. Our industry might not grow at the rate projected by market data, or at all. Failure of our industry to grow at the projected rate may have a material adverse effect on our business and the market price of our ADSs. Furthermore, if any one or more of the assumptions underlying the market data is later found to be incorrect, actual results could differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected consolidated statements of operations data for the years ended December 31, 2016, 2017 and 2018, and selected consolidated balance sheet data as of December 31, 2017 and 2018, have been derived from our audited consolidated financial statements included elsewhere in this annual report. The selected consolidated statements of operations data for the years ended December 31, 2014 and 2015, and consolidated balance sheet data as of December 31, 2014, 2015 and 2016 are derived from our consolidated financial statements not included in this annual report, the first year of which have been restated due to the divestment of the discontinued operations in the year of 2015. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Our historical results are not necessarily indicative of results expected for future periods. You should read this selected financial data section together with our consolidated financial statements and the related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report.

Selected Consolidated Financial Data

	For the Year Ended December 31,				
	2014 ⁽¹⁾	2015	2016	2017	2018
	(in US\$ thousands, except share and share related data)				
<i>Selected consolidated statements of operations data:</i>					
Revenues					
Related parties	—	542	10,078	17,485	10,873
Third parties	—	10,935	63,123	71,251	25,582
Cost of revenues	—	(13,220)	(72,857)	(88,187)	(35,579)
Gross (loss)/profit	—	(1,743)	344	549	876
Operating expenses:					
Selling and Marketing	—	(5,360)	(20,405)	(15,207)	(5,792)
General and administrative	(4,323)	(12,911)	(7,531)	(6,697)	(4,303)
Impairment loss	—	(85,935)	—	(147,018)	(115,179)
Total operating expenses	(4,323)	(104,206)	(27,936)	(168,922)	(125,274)
Loss from operations	(4,323)	(105,949)	(27,592)	(168,373)	(124,398)
Interest income/(expense), net	—	7	26	(411)	(907)
Other income/(expense), net	—	46	39	28	(33)
Loss before provision for income taxes	(4,323)	(105,896)	(27,527)	(168,756)	(125,338)
Income tax benefits	—	1,250	2,234	6,857	2,098
Net loss	(43,869)	(93,570)	(25,293)	(161,899)	(123,240)
Net loss attributable to holders of ordinary shares of JMU Limited	(84,670)	(95,935)	(25,293)	(161,899)	(123,240)
Net loss per share:					
Basic	(0.28)	(0.09)	(0.02)	(0.11)	(0.08)
Diluted	(0.28)	(0.09)	(0.02)	(0.11)	(0.08)
Weighted average shares used in calculating net loss per ordinary share					
Basic			1,474,087,060	1,476,144,194	1,476,801,177
Diluted			1,474,087,060	1,476,144,194	1,476,801,177

(1) Due to the divestment of our group buying business in 2015, the results of operations from the group buying business is reclassified as discontinued operations and the consolidated statements of operations for the year ended December 31, 2014 have been restated to reflect such reclassification.

	As of December 31,				
	2014	2015	2016	2017	2018
	(in US\$ thousands)				
Selected consolidated balance sheet data:					
Total current assets	10,306	41,083	13,428	14,055	4,619
Total assets	20,343	342,774	274,045	136,142	5,025
Total current liabilities	67,500	24,950	15,227	22,806	20,289
Total liabilities	129,466	38,093	25,648	32,592	27,211
Total shareholders' equity/(deficit)	(233,776)	304,681	248,397	103,550	(22,186)
Total liabilities and shareholders' equity	20,343	342,774	274,045	136,142	5,025

B. Capitalization and indebtedness.

Not applicable.

C. Reasons for the offer and use of proceeds.

Not applicable.

D. Risk factors.

Risks Relating to Our Business and Industry

We have a limited operating history and our business model is subject to uncertainties, which makes it difficult to evaluate our business.

We disposed of our group buying business in September 2015. Our current business of providing integrated B2B services to food service suppliers and customers only started in late 2014, and we have only owned it since June 2015. The limited history of our current operations makes it difficult for you to evaluate our business, financial performance and prospects, and our historical growth rate might not be indicative of our future performance. We cannot assure you that our current business of providing integrated B2B services to food service suppliers and customers will grow as rapidly as we expect or achieve the critical mass needed for long-term success. Our business model of building a fair business ecosystem for food service businesses in China and cultivating the traditional offline food service businesses using internet tools is still a new business model in China, while the catering and hotel industries in China are growing rapidly and we face consistent challenges to innovate our business and service model to serve our customers. Given the limited history of our business model and its fast and iterative developments, it is difficult to predict if our growth will be sustainable in the future, and the market might evolve in ways that are difficult to anticipate. You should consider our prospects in light of the risks and uncertainties that fast-growing companies in a rapidly evolving market might encounter. These risks and difficulties include, but are not limited to:

- a new and relatively unproven business model;
- our ability to anticipate and adapt to a developing market and industry;
- high expenditures associated with our geographic expansion, brand promotion and marketing activities;
- our need to achieve greater brand recognition;
- our ability to attract sufficient suppliers and customers in the food services industry and generate sufficient net sales or cash flow;
- market acceptance of our business model;
- difficulties in managing rapid growth in personnel and operations; and
- our ability to compete in the market.

Currently we are charging our customers low margin in our direct sales operation, and not charging any commission or service fees for third-party sellers to use our platform. There is no assurance that we can keep the expansion of our B2B business at the current pace after we start to apply higher margins to transactions in our direct sales business and charge service fees for third-party sellers, and our ability to leverage our scale of business to have our platform users to continue using our services with margins and service charges is uncertain.

We cannot be certain that our business strategy will be successful or that we will successfully address these risks. Failure to address any of the risks described above could have an adverse effect on our business, financial condition and results of operations.

We have a history of losses, have spent substantial amounts in operating expenses and could require additional funding in the future.

We have invested substantial amounts of cash into research and development and business development to take the market share and develop our business at a fast pace. Our current food-industry B2B service business has incurred net loss in the amount of US\$415.1 million since we acquired it in June 2015, primarily due to goodwill impairment of US\$319.0 million and impairment of US\$28.4 million provided for long-lived assets, and because we have not been charging service fees or margins for a majority of all transactions on our platform as part of our strategy to achieve scale of business. We have incurred net losses and experienced negative cash flow from operating activities since our inception. In addition, we had net current liabilities as of December 31, 2018. As we continue to expand and develop, we expect to continue to incur losses in the near future.

We expect to continue to spend additional amounts in operating expenses in line with our projected growth. We received net proceeds of US\$37.3 million from our initial public offering on April 8, 2015 and the underwriters' exercise of the over-allotment option, after deducting underwriting discounts and commissions and offering expenses payable by us. Additionally, we received US\$15.0 million in a private placement transaction with Mr. Maodong Xu in September 2015. In May 2017, we received a loan of RMB35.0 million (US\$5.4 million) from one of our principal shareholders. In April 2018, we received additional loans of RMB70.0 million (US\$11.1 million) from Ms. Xiaoxia Zhu and Ms. Huimin Wang. We believe that our current cash and cash equivalents and anticipated cash flow from operations, together with commitments by Ms. Xiaoxia Zhu to provide the necessary financial support, will be sufficient to meet our anticipated cash needs until June 28, 2020 and as long as Ms. Xiaoxia Zhu remains director and chief executive officer of our company. However, we may require additional cash due to changing business conditions or other future developments, including any investments we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to obtain a credit facility or sell additional equity or debt securities. The sale of additional equity securities could result in dilution of our existing shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. We cannot be certain that additional funding will be available to us on acceptable terms, or at all. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us when needed, we may have to significantly delay, scale back or discontinue a certain portion of our operations. Any of these events could significantly harm our business, financial condition and prospects.

We may need to recognize significant impairment losses in connection with past and future acquisitions, which may have a material and adverse effect on our financial results.

We acquired Join Me Group (HK) Investment Company Limited, or JMU HK, in June 2015 to establish our food-industry B2B services. We may acquire other companies that are complementary to our business in the future. We record goodwill if the purchase price paid in an acquisition exceeds the amount assigned to the fair value of the assets acquired and liabilities assumed, and we also obtained long-lived intangible assets in some acquisitions. We are required to test goodwill and long-lived assets for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired in accordance with ASC 350 was nil, "Intangibles – Goodwill and Other" and ASC 360-10, "Impairment and Disposal of Long-Lived Assets." The carrying amount of goodwill was nil as of December 31, 2018 after the annual impairment test, and the impairment losses of nil, US\$127.3 million and US\$105.8 million were recognized during the years ended December 31, 2016, 2017 and 2018, respectively. We have also provided impairment of US\$19.8 million and US\$8.6 million for long-lived assets other than goodwill during the year ended December 31, 2017 and 2018. If the carrying amount of goodwill or long-lived assets in connection with past or future acquisitions is determined to be further impaired, we will be required to recognize additional impairment losses and our financial results will be adversely and materially affected.

If we are unable to provide superior customer experience, our business and reputation may be materially and adversely affected.

The success of our business hinges on our ability to provide superior customer experience, which in turn depends on a variety of factors. These factors include our ability to continue to attract suppliers and third-party sellers that can offer high quality products at competitive prices, source products to respond to customer demands, maintain the quality of products and services provided on our platform, and provide timely and reliable delivery, flexible payment options and superior after-sales service.

We rely completely on third-party couriers to deliver products, particularly a logistic company which delivered 90% of our online direct sale orders in 2018. Although we have implemented quality control policies for selecting third-party couriers and for monitoring services rendered by them, we cannot assure you that third-party couriers can meet our requirement at all times. If products purchased by customers at our platform are not delivered on time or are delivered in a damaged state, customers may refuse to accept products and have less confidence in our services. See “—We rely on service from couriers to deliver our orders, and our third-party sellers use couriers to deliver a significant number of orders for them. If these third-party service providers fail to provide reliable delivery services, our business and reputation may be materially and adversely affected.” Furthermore, employees of contracted third-party couriers interact with our customers personally. We maintain cooperation arrangements with a number of third-party couriers to deliver products to our customers and we need to effectively manage these third-party service providers to ensure the quality of customer services. We have in the past received customer complaints from time to time regarding our delivery and return and exchange services. Any failure to provide high-quality delivery services to our customers may negatively impact the purchase experience of our customers, damage our reputation and cause us to lose customers.

Our customer service center in Shanghai provides real-time assistance to our customers during working hours. If our customer service representatives fail to provide satisfactory service, or if waiting times are too long due to the volume of calls from customers at peak times, our brand and customer loyalty may be adversely affected. In addition, any negative publicity or poor feedback regarding our customer service may harm our brand and reputation and in turn cause us to lose customers and market share.

Any harm to our JMU brand or reputation may materially and adversely affect our business and results of operations.

We believe that the recognition and reputation of our JMU brand among our customers, suppliers and third-party sellers has contributed to the growth and success of our business. Maintaining and enhancing the recognition and reputation of our brand is critical to our business and competitiveness. Many factors, some of which are beyond our control, are important to maintaining and enhancing our brand. These factors include our ability to:

- provide a compelling online purchase experience to customers;
- maintain the popularity, attractiveness, diversity, quality, safety and authenticity of the products that we or third-party sellers offer;
- maintain the efficiency, reliability and quality of the delivery services;
- maintain or improve customers' satisfaction with our after-sale services;
- increase brand awareness through marketing and brand promotion activities; and
- preserve our reputation and goodwill in the event of any negative publicity on customer service, internet security, product quality, price or authenticity, or other issues affecting us or other e-commerce businesses in China.

A public perception that low-quality or defective goods are sold on our platform or that we or third-party service providers do not provide satisfactory customer service, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brand, undermine the trust and credibility we have established and have a negative impact on our ability to attract new customers or retain our current customers. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our website, products and services, it may be difficult to maintain and grow our customer base, and our business and growth prospects may be materially and adversely affected.

Our quality control might not always be sufficient to ensure the goods and services offered to the customers, which could affect our profits and brand.

We create, promote and help operate online storefronts in our JMU Mall in collaboration with our suppliers in our direct sales business. Once customers purchase goods through our website, we rely on our suppliers to provide goods to customers. Any customer dissatisfaction resulting from poor quality of goods provided by our suppliers could have an adverse effect on our reputation or revenue. Our business depends on our ability to ensure that high-quality goods are provided to customers on a consistent basis. This has placed, and will continue to place, substantial demands on our operational, technological and other resources.

In particular, the food service industry is susceptible to the risk of food-borne illnesses. As with any food service operation we cannot guarantee that our internal controls will be fully effective in preventing all food-borne illnesses, food contamination or food tampering, which may be caused by the products of the third-party food suppliers and distributors or the supply chain of goods such as the food storage or the delivery. Reports in the media or on social media of one or more instances of food-borne illness from the products offered at our platform could negatively affect our sales. This risk exists even if it were later determined that the illness had been wrongly attributed to us.

We cannot assure you that such measures will always be sufficient in discovering and remedying problems with merchandise, some of which are out of our control. Any losses that we may suffer from customers' request for a large amount of refunds or replacement of goods or future liability claims, including the successful assertion against us of one or a series of large claims, could adversely affect our cash flows, financial conditions and results of operations. In addition, as we expand the types of goods and services for which we offer, the operational cost of quality control will also likely increase, which will have a negative effect on our profits.

If we are unable to offer products that attract new customers and new purchases from existing customers, our business, financial condition and results of operations may be materially and adversely affected.

Our future growth depends on our ability to continue to attract new customers as well as new purchases from existing customers. Our website makes recommendations to customers based on our understanding of the market as well as the popularity of products on our platform, and we also send product recommendations regularly to our customers through various means, such as emails, social network media and hardcopy catalogues. Our customers choose to purchase products on our website due in part to the attractive prices that we offer, and they may choose to shop elsewhere if we cannot match the prices offered by other websites or by offline suppliers. If our customers cannot find their desired products on our website at attractive prices, they may lose interest in us and visit our website less frequently or even stop visiting our website altogether, which in turn may materially and adversely affect our business, financial condition and results of operations.

We face intense competition. We may lose market share and customers if we fail to compete effectively.

The e-commerce industry in China is intensely competitive. We compete for customers, orders, suppliers and third-party sellers. Our current or potential competitors include traditional offline food service suppliers and other internet companies who develop their business and tap into the market we are operating in. In addition, new and enhanced technologies may increase the competition in the e-commerce industry and new competitive business models may appear.

Increased competition may reduce our margins, market share and brand recognition, or result in significant losses. When we set prices, we have to consider how competitors have set prices for the same or similar products. When they cut prices or offer additional benefits to compete with us, we may have to lower our own prices or offer additional benefits or risk losing market share, either of which could harm our financial condition and results of operations.

Some of our current or future competitors have or may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than we do. Smaller companies or new entrants may be acquired by, receive investment from or enter into strategic relationships with well-established and well-financed companies or investors which would help enhance their competitive positions. Some of our competitors may be able to secure more favorable terms from suppliers, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies and devote substantially more resources to their website, mobile application and systems development than us. We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

Although our inventory was relatively small as of December 31, 2018, our business model may require us to increase our inventory as our business expands and we will need to manage our inventory effectively. We depend on our understanding of the food service industry as well as demand forecasts for various kinds of products to make purchase decisions and to manage our inventory. Demand for products, however, can change significantly between the time inventory is ordered and the date by which we hope to sell it. Demand may be affected by seasonality, new product launches, changes in product cycles, pricing, product defects, changes in customer spending patterns, and other factors, and our customers may not order products in the quantities that we expect. Customers are extremely strict about the expiration date of food products, and poor inventory management might lead to products expiring and becoming unacceptable in the market. In addition, when we begin selling a new product, it may be difficult to establish supplier relationships, determine appropriate product selection, and accurately forecast demand. The acquisition of certain types of inventory may require significant lead time and prepayment and they may not be returnable.

Substantial future sales of our shares in the public market, or the perception that these sales could occur, could cause our share price to decline.

Additional sales of our shares in the public market, or the perception that these sales could occur, could cause the market price of our shares to decline. As of the date of this annual report, we had 2,108,869,528 ordinary shares outstanding (excluding 759,600 ordinary shares in the form of ADSs that are reserved for issuance upon the exercise of share awards), of which 569,783,423 ordinary shares or approximately 38.6% were held by previous shareholders of JMU HK before our acquisition of JMU HK in 2015. Pursuant to a Registration Rights Agreement we entered into with these former JMU HK shareholders on June 8, 2015, we agreed to provide them with certain registration rights in respect of our ordinary shares held by them, subject to certain limitations. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Registration Rights Agreement.” Registration of these shares under the Securities Act would result in these shares becoming freely tradable without restriction immediately upon the effectiveness of the registration statement. If part or all of these shares are sold in the public market or if any existing shareholder or shareholders sell a substantial amount of shares, the prevailing market price for our shares could be adversely affected. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

If we fail to manage and expand our relationships with suppliers, or otherwise fail to procure products at favorable terms, our business and growth prospects may suffer.

We had 17 suppliers for our online direct sales business as of December 31, 2018. Our suppliers include food producers, manufacturers, distributors and resellers. Maintaining strong relationships with these suppliers is important to the growth of our business. In particular, we depend significantly on our ability to procure products from suppliers on favorable pricing terms. We typically enter into framework agreements with suppliers, and these framework agreements do not ensure the availability of products or the continuation of particular pricing practices or payment terms beyond the end of the contractual term. In addition, our agreements with suppliers typically do not restrict the suppliers from selling products to other buyers. We cannot assure you that our current suppliers will continue to sell products to us on commercially acceptable terms, or at all, after the term of the current agreement expires, and we cannot assure you that our current suppliers will honor such framework agreements within the terms of such agreements. Any breach of such framework agreements by our suppliers may lead to the monetary damages as we may not be able to fully recover our deposits and adversely impact our operation. Even if we maintain good relations with our suppliers, their ability to supply products to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal decisions, natural disasters or other causes. In the event that we are not able to attract suppliers or third-party sellers that can provide merchandise at favorable prices, our revenues and cost of revenues may be materially and adversely affected. In the event any distributor or reseller does not have authority from the relevant manufacturer to sell certain products to us, such distributor or reseller may cease selling such products to us at any time. If our suppliers cease to provide us with favorable payment terms, our requirements for working capital may increase and our operations may be materially and adversely affected. We will also need to establish new supplier relationships to ensure that we have access to a steady supply of products on favorable commercial terms. If we are unable to develop and maintain good relationships with suppliers that would allow us to obtain a sufficient amount and variety of authentic and quality merchandise on acceptable commercial terms, it may inhibit our ability to offer sufficient products sought by our customers, or to offer these products at competitive prices. Any adverse developments in our relationships with suppliers could materially and adversely affect our business and growth prospects. In addition, as part of our growth strategy, we plan to further expand our product offerings. If we fail to attract new suppliers to sell their products to us due to any reason, our business and growth prospects may be materially and adversely affected.

If we are unable to conduct our marketing activities cost-effectively, our results of operations and financial condition may be materially and adversely affected.

We have incurred a great amount of expenses on a variety of different marketing and brand promotion efforts, and recommendation for trial use of our new products, designed to enhance our brand recognition and increase sales of our products. Our brand promotion and marketing activities may not be well received by customers and may not result in the levels of product sales that we anticipate. We incurred US\$5.8 million of selling and marketing expenses in 2018. Marketing of food products online to food service customers is evolving. This further requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share, cause our revenues to decline and negatively impact our profitability.

We rely on service from couriers to deliver our orders, and our third-party sellers use couriers to deliver a significant number of orders for them. If these third-party service providers fail to provide reliable delivery services, our business and reputation may be materially and adversely affected.

We rely completely on third-party couriers to deliver products, particularly a logistic company which delivered 90% of our online direct sale orders in 2018. We maintain cooperation arrangements with a number of third-party couriers to deliver our products to our customers and sometimes suppliers in our direct sales operation deliver products to our customers themselves. Third-party sellers on our marketplace also use their own logistics network or other third-party couriers. Interruptions to or failures in these third parties' delivery services could prevent the timely or proper delivery of products offered at our platform to customers. These interruptions may be due to events that are beyond our control or the control of these delivery companies, such as inclement weather, natural disasters, transportation disruptions or labor unrest. In addition, if our third-party delivery service providers fail to comply with applicable rules and regulations in China, our delivery services may be materially and adversely affected. We may not be able to find alternative delivery companies to provide delivery services in a timely and reliable manner, or at all. Delivery of our products could also be affected or interrupted by the merger, acquisition, insolvency or government shut-down of the delivery companies we engage to make deliveries, especially those local companies with relatively small business scales. If products offered at our platform are not delivered in proper condition or on a timely basis, our business and reputation could suffer.

Our online marketplace is subject to risks associated with third-party sellers.

As of December 31, 2018 there were approximately 3,779 third-party sellers on our online marketplace. We do not exercise control over the storage and delivery of products sold by third-party sellers on our online marketplace. Our third-party sellers use their own or third-party storage facilities and delivery systems to store and deliver their products, which makes it more difficult for us to ensure that our customers get high quality service for all products sold on our website. If any third-party seller fails to effectively control the quality of the products that it sell on our website, or if it does not deliver the products or delivers them late or delivers products that are materially different from its description of them, or if it sells low quality products on our website, the reputation of our online marketplace and our JMU brand may be materially and adversely affected and we could face claims that we should be held liable for any losses. Moreover, despite our efforts to prevent it, some products sold on our online marketplace may compete with the products we sell directly, which may cannibalize our online direct sales. In addition, the supplier relationships, customer acquisition dynamics and other requirements for our online marketplace may not be the same as those for our online direct sales operations, which may complicate the management of our business. In order for our online marketplace to be successful, we must continue to identify and attract third-party sellers, and we may not be successful in this regard.

The successful operation of our business depends upon the performance and reliability of the internet and mobile telecommunications infrastructures in China.

Our business depends on the performance and reliability of the internet and mobile telecommunications infrastructures in China. Almost all access to the internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology of China. In addition, the national networks in China are connected to the internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the internet outside of China. We might not have access to alternative networks in the event of disruptions, failures or other problems with China's internet infrastructure. In addition, the internet infrastructure in China might not support the demands associated with continued growth in internet usage.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites. We have no control over the costs of the services provided by the national telecommunications operators. If the prices that we pay for telecommunications and internet services rise significantly, or if the telecommunication network in China is disrupted or failed, our gross margins could be adversely affected. Technical limitations on internet use could also be developed or implemented. For example, restrictions could be implemented on personal internet use in the workplace in general or access to our website in particular. This could lead to a reduction of customers' activities or a loss of customers altogether, which in turn could have an adverse effect on our financial position and results of operations. In addition, if internet access fees or other charges to internet users increase, our user traffic might decrease, which in turn could significantly decrease our revenues.

The proper functioning of our technology platform is essential to our business. Any failure to maintain the satisfactory performance of our website and systems could materially and adversely affect our business and reputation.

The satisfactory performance, reliability and availability of our technology platform are critical to our success and our ability to attract and retain customers and provide quality customer service. Most of our sales of products are made online through our website and mobile applications. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our website or reduced order fulfillment performance could reduce the volume of products sold and the attractiveness of product offerings on our website. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill customer orders. Security breaches, computer viruses and hacking attacks have become more prevalent in our industry. We have experienced in the past, and may experience in the future, such attacks and unexpected interruptions. We can provide no assurance that our current security mechanisms will be sufficient to protect our IT systems from any third-party intrusions, viruses or hacker attacks, information or data theft or other similar activities. Any such future occurrences could reduce customer satisfaction, damage our reputation and result in a material decrease in our revenue.

Additionally, we must continue to upgrade and improve our technology platform to support our business growth, and failure to do so could impede our growth. However, we cannot assure you that we will be successful in executing these system upgrades and improvement strategies. In particular, our systems may experience interruptions during upgrades, and the new technologies or infrastructures may not be fully integrated with the existing systems on a timely basis, or at all. If our existing or future technology platform does not function properly, it could cause system disruptions and slow response times, affecting data transmission, which in turn could materially and adversely affect our business, financial condition and results of operations.

If we fail to adopt new technologies or adapt our website, mobile applications and systems to changing customer requirements or emerging industry standards, our business may be materially and adversely affected.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our website and mobile applications. The internet and the e-commerce industry are characterized by rapid technological evolution, changes in customer requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices, such as mobile internet, in a cost-effective and timely way. The development of websites, mobile applications and other proprietary technology entails significant technical and business risks. We cannot assure you that we will be able to use new technologies effectively or adapt our website, mobile applications, proprietary technologies and systems to meet customer requirements or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or customer requirements, whether for technical, legal, financial or other reasons, our business, prospects, financial condition and results of operations may be materially and adversely affected.

If internet search engines' ranking methodologies are modified or our search result page rankings decline, our user traffic could decrease.

We depend in part on various internet companies in China, such as Baidu, to direct traffic to our website. Our ability to maintain and increase the number of visitors directed to our website is not entirely within our control. Our competitors' search engine optimization efforts could result in their websites receiving a higher search result page ranking than ours, or internet companies could revise their methodologies in an attempt to improve their search results, which could adversely affect the placement of our search result page ranking. If internet companies modify their search algorithms in ways that are detrimental to our customer growth or in ways that make it harder for customers to find our website, or if our competitors' search engine optimization efforts are more successful than ours, our overall growth in user traffic could slow down or decrease, and we could lose existing customers. Our website has experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of visitors directed to our website could harm our business, financial condition and results of operations.

Failure to protect confidential information of our customers and network against security breaches could damage our reputation and brand and substantially harm our business and results of operations.

A significant challenge to the e-commerce industry is the secure storage of confidential information and its secure transmission over public networks. All of the orders for products we offer are made through our website and our mobile applications. In addition, some transactions are settled through third-party online payment services. We also share certain personal information about our customers with contracted third-party couriers, such as their names, addresses, phone numbers and transaction records. Maintaining complete security for the storage and transmission of confidential information on our technology platform, such as customer names, personal information and billing addresses, is essential to maintaining customer confidence.

We have adopted security policies and measures, including encryption technology, to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining such confidential or private information we hold as a result of our customers' visits to our website and use of our mobile applications. Such individuals or entities obtaining our customers' confidential or private information may further engage in various other illegal activities using such information. In addition, we have limited control or influence over the security policies or measures adopted by third-party providers of online payment services through which some of our customers may elect to make payment for purchases. The contracted third-party couriers we use may also violate their confidentiality obligations and disclose or use information about our customers illegally. Any negative publicity on our website's or mobile applications' safety or privacy protection mechanisms and policies, and any claims asserted against us or fines imposed upon us as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations. We have experienced breaches of our information security measures in our B2C business in the past, and we cannot assure you that similar events will not occur in our B2B business in the future. If we give third parties greater access to our technology platform in the future as part of providing more technology services to third-party sellers and others, it may become more challenging for us to ensure the security of our systems. Any compromise of our information security or the information security measures of our contracted third-party couriers or third-party online payment service providers could have a material and adverse effect on our reputation, business, prospects, financial condition and results of operations.

Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet and mobile platforms have recently come under increased public scrutiny. As e-commerce continues to evolve, we believe that increased regulation by the PRC government of data privacy on the internet is likely. We may become subject to new laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information that could affect how we store, process and share data with our customers, suppliers, third-party sellers and third-party service providers like couriers. We generally comply with industry standards and are subject to the terms of our own privacy policies. Compliance with any additional laws could be expensive, and may place restrictions on the conduct of our business and the manner in which we interact with our customers. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us.

Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, could cause our customers to lose trust in us and could expose us to legal claims. Any perception by the public that online transactions or the privacy of user information are becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of e-commerce and other online services generally, which may reduce the number of orders we receive.

We rely on third-party online payment processors to provide payment processing services, and any disruption to the provision of these services to us could adversely affect our business and results of operations.

We rely on third-party online payment processors to provide payment processing services, including the processing of credit card and debit card transactions. Customers can make purchases through all major online payment systems in China, including Alipay and the online banking systems of most commercial banks in China. Each online payment system provides payment processing services to us and we pay service fees pursuant to our agreements with the payment system operators. Typically the term of each of these agreements is one year, and would be automatically renewed for a term of one year unless otherwise requested by the payment system operator or us in writing at least one month prior to the expiration date. Our business could be disrupted if any of these online payment system operators becomes unwilling or unable to provide payment processing services to us, and we could incur additional cost as we seek alternative payment processing service providers. Moreover, the third-party online payment processors could fail to obtain, maintain or renew their required qualifications, which could result in a disruption in their services to us.

For all the online payment transactions, secured transmission of confidential information, such as customers' bank account numbers, personal information and billing addresses, over public networks is essential to maintain customers' confidence in us. Our current security measures and those of the third-parties online payment processors might not be adequate. We must be prepared to increase and enhance our security measures and efforts so that suppliers, third-party sellers and customers have confidence in the reliability of the online payment systems that we use, which will impose additional costs and expenses and might still not guarantee complete security. In addition, we do not have control over the security measures implemented by our third-party payment processors. Security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of the online payment systems that we use.

In addition, we may in the future increase the variety of payment methods accepted on our website. As we offer new payment options to customers, we could be subject to additional regulations and compliance requirements. We pay payment processing fees and other fees to third-party payment channels, which would increase over time and raise our operating costs and lower profitability.

If our senior management is unable to work together effectively or efficiently or if we lose their services, our business may be severely disrupted.

Our success heavily depends upon the continued services of our management. In particular, we rely on the expertise and experience of Ms. Xiaoxia Zhu, our chairperson and chief executive officer, and our other executive officers. The majority of our senior management joined us in 2015. If they cannot work together effectively or efficiently, our business may be severely disrupted. If one or more of our senior management were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all, and our business, financial condition and results of operations may be materially and adversely affected. If any of our senior management joins a competitor or forms a competing business, we may lose customers, suppliers, know-how and key professionals and staff members. Our senior management has entered into employment agreements and confidentiality and non-competition agreements with us. However, if any dispute arises between our officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce them at all.

In addition, while we formulate the overall business strategy at our headquarters in Shanghai, we also give latitude to our regional supply chain subsidiaries to manage the daily operations in their respective cities. We cannot assure you that communications between the senior management team and the local management teams will always be effective, or the executions at the local levels will always have the results that the senior management team expects.

We have limited insurance coverage and could incur losses resulting from liability claims or business interruptions.

As the insurance industry in China is still developing, insurance companies in China currently offer limited business insurance products. We do not have any product liability insurance or business interruption insurance. As we continue to expand the offerings by our suppliers and third-party sellers, we could be increasingly exposed to various liability claims related to the products provided by our suppliers and third-party sellers. Any liability claims, business disruption, or natural disaster could result in substantial costs and the diversion of resources, which would have an adverse effect on our business and results of operations.

We might not be able to adequately protect our intellectual property rights.

We believe our domain names, trademarks, technology know-how and other intellectual properties enhance our competitive advantages and are important to our success to date and our future prospects. We have been investing resources to develop our own intellectual properties and we take prudent steps to protect our intellectual properties and know-how. But we cannot assure you such steps would be sufficient to prevent the infringement of our intellectual properties. If we fail to adequately protect our intellectual property rights, including our rights in know-how or our trademark, it could have an adverse effect on our operations.

The validity, enforceability and scope of protection available under intellectual property laws with respect to the internet industry in China are uncertain and still evolving. Implementation and enforcement of PRC intellectual property-related laws have historically been deficient and ineffective. Accordingly, protection of intellectual property rights in China might not be as effective as in the United States or other western countries. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive, and we might need to resort to litigation to enforce or defend our intellectual property rights or to determine the enforceability, scope and validity of our proprietary rights or those of others. Such litigation and an adverse determination in any such litigation, if any, could result in substantial costs and the diversion of resources and management's attention.

Companies in the internet and technology industries are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition and other violations of third parties' rights. From time to time, we could face allegations of trademark, copyright, patent and other intellectual property rights infringement of third parties. Such allegations of intellectual property rights infringements could come from our competitors and there could also be allegations that we are involved in unfair trade practices.

We may be subject to product liability claims if people or properties are harmed by the products we sell.

We sell products manufactured by third parties, some of which may be defective. As a result, sales of such products could expose us to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against us as the retailer of the product. Although we would have legal recourse against the manufacturer of such products under PRC law, attempting to enforce our rights against the manufacturer may be expensive, time-consuming and ultimately futile. In addition, we do not currently maintain any third-party liability insurance or product liability insurance in relation to products we sell. As a result, any material product liability claim or litigation could have a material and adverse effect on our business, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation.

We depend on regulatory approvals and licenses to operate in our existing markets and to gain access to new markets.

The internet, telecommunication and food service industries in China are highly regulated by the PRC government and numerous regulatory authorities of the central PRC government are empowered to issue and implement regulations governing various aspects of the internet and food service industries including foreign ownership of and licensing and permit requirements pertaining to companies in the internet and food service industries.

The relevant laws and regulations are relatively new or evolving, and their interpretation and enforcement involve significant uncertainty. As a result, in certain circumstances, it could be difficult to determine what actions or omissions could be deemed to be in violation of applicable laws and regulations. Our VIE is required to obtain and maintain the applicable ICP license for value-added Internet services and the applicable license or permit for selling food, liquor and nutritional supplements through our website. Furthermore, Our VIE could be required to obtain additional licenses. If Our VIE fails to obtain or maintain any of the required licenses or approvals, its continued business operations on the internet and the food service industries could subject it to various penalties, such as confiscation of illegal net sales, fines and the discontinuation or restriction of its operations. Any such disruption in the business operations of Our VIE will materially and adversely affect our business, financial condition and results of operations.

We are subject to changing laws and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

We are subject to rules and regulations by various governing bodies, including, for example, the Securities and Exchange Commission, which is charged with the protection of investors and the oversight of companies whose securities are publicly traded, and the various regulatory authorities in China and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

Certain audit reports included in this annual report are prepared by auditors who are not inspected by the Public Company Accounting Oversight Board, and consequently you are deprived of the benefits of such inspection.

One of our independent registered public accounting firms that issues certain audit reports included in our annual report filed with the U.S. Securities and Exchange Commission, as auditors of companies that are traded publicly in the United States and firms registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards. Because our auditors are located in the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditors are not inspected by the PCAOB. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects a heightened interest in an issue that has vexed U.S. regulators in recent years. However, it remains unclear what further actions the SEC and PCAOB will take to address the problem.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors are deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditors' audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our consolidated financial statements.

Proceedings instituted by the SEC against certain PRC-based accounting firms, including our previous independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, including our previous independent registered public accounting firm, Erns & Young Hua Ming LLP, or Ernst Young, which provided audit services for the years ended December 31, 2016 and 2017, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. On February 12, 2014, four of these PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. If the firms fail to meet specified criteria, during a period of four years starting from the settlement date, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Additional remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of additional proceedings against a firm, or in extreme cases the resumption of the current proceeding against all four firms.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ADSs may be adversely affected.

If our previous independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our consolidated financial statements for the years ended December 31, 2016 and 2017, our consolidated financial statements could be determined not to be in compliance with the requirements of the Exchange Act of 1934, as amended. Such a determination could ultimately lead to the delisting of our ordinary shares from the Nasdaq Global Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural disasters or the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, influenza A (H1N1), Ebola or another epidemic. Any such occurrences could cause severe disruption to our daily operations, including our fulfillment infrastructure and our customer service center, and may even require a temporary closure of our facilities. Earthquakes or other similar disasters affecting cities where we have major operations in China could materially and adversely affect our operations due to loss of personnel and damages to property, including our inventory and our technology systems. Our operation could also be severely disrupted if our suppliers, customers or business partners were affected by health epidemics or other natural disasters.

Risks Related to Our Corporate Structure and Dependence on our Contractual Arrangements with our Affiliates

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC governmental restrictions on foreign investment in internet business, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in internet businesses, including the provision of internet content distribution services. Foreign investors are limited to services sections opened up in China's WTO commitments and are not allowed to own more than 50% of the equity interests in any entity conducting internet content distribution business or other value-added telecom businesses, except e-commerce business, for which there is no upper limit to the shareholding percentage for foreign investors. Additionally, any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record in accordance with the Guidance Catalog of Industries for Foreign Investment promulgated in 2017, as amended, and other applicable laws and regulations. We conduct our operations in China principally through contractual arrangements between our wholly-owned PRC subsidiary, Shanghai Zhongming, and our consolidated affiliated entity in China, Shanghai Zhongmin Supply Chain Management Co., Ltd., and Beijing Lianji Technology Co., Ltd., or Our VIEs, and their respective shareholders. Our contractual arrangements with Our VIEs and their respective shareholders enable us to exercise effective control over it and hence treat it as our consolidated affiliated entity and consolidate their results. For a detailed discussion of these contractual arrangements, see "Item 4. Information on the Company—A. History and Development of the Company."

In the opinion of our PRC counsel, Beijing Dacheng Law Offices, LLP (Shanghai), our current ownership structure, the ownership structure of Our WFOEs and Our VIEs, and the contractual arrangements between Our WFOEs, Our VIEs, and their respective shareholders are in compliance with existing PRC laws, rules and regulations. There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Thus, we cannot assure you, however, that we will be able to enforce these contracts. Although we believe we are in compliance with current PRC regulations, we cannot assure you that the PRC government would agree that these contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that might be adopted in the future. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations. If the PRC government determines that we are not in compliance with applicable laws and regulations, it could revoke our business and operating licenses, require us to discontinue or restrict our operations, restrict our right to collect revenues, restrict or prohibit us to finance our business and operations in China, shut down our servers or block our website, require us to restructure our operations, impose additional conditions or requirements with which we might not be able to comply, levy fines, confiscate our income or the income of our PRC subsidiary or affiliated PRC entities, or take other regulatory or enforcement actions against us that could be harmful to our business. The imposition of any of these penalties would result in an adverse effect on our ability to conduct our business.

Substantial uncertainties exist with respect to the PRC Foreign Investment Law (Draft) and how it may impact the viability of our current corporate structure, corporate governance and business operations.

The Standing Committee of the National People's Congress adopted the PRC Foreign Investment Law of PRC (Draft), or the Draft, in March 2019, aiming to, upon its enactment in January 2020, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Draft embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

Among other things, the Draft expands the definition of foreign investment and introduces the principle for determining whether a company is considered a foreign-invested enterprise, or an FIE. The Draft specifically provides that an FIE refers to an enterprise all or part of whose capital is invested by foreign investor(s) and duly registered and established within China in accordance with Chinese law. "Foreign investment" in the Draft refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or otherwise organizations of a foreign country, or the Foreign Investor, within China, with the investment activities including the following situations: (i) a Foreign Investor, individually or collectively with other investors, establishes a foreign-invested enterprise within China; (ii) a Foreign Investor acquires stock shares, equity shares, interests in assets, or other similar rights to and interests in an enterprise within China; (iii) a Foreign Investor, individually or collectively with other investors, invests in a new project within China; and (iv) foreign investments in other forms as provided by law, administrative regulations, or by the State Council.

Once an entity is determined to be an FIE, it shall be subject to the foreign investment restrictions or prohibitions set forth in a "negative list," which was separately issued by the National Development and Reform Commission and the Ministry of Commerce. If the underlying business of the FIE falls within the negative list, the relevant market entry clearance, prior approval from the government authorities as mandated by the existing foreign investment legal regime would be required for establishment of the FIE.

The provision of value-added telecommunication services, which we conduct through Our VIEs, is currently subject to foreign investment restrictions set forth in the Catalogue of Industries for Guiding Foreign Investment, or the Catalogue, issued by the National Development and Reform Commission and the Ministry of Commerce, as amended in June 2017 and subsequently partially amended by Special Administrative Measures (Negative List) for Foreign Investment Access in June 2018.

Considering the possibility that any future law, administrative regulations or provisions of the State Council may put foreign companies with PRC VIEs under the supervision of the Draft, It is unclear whether Our VIEs would be determined to be FIEs. Therefore, it is also unclear whether the market entry clearance shall be completed by companies with existing VIE structures like us. If such clearance is required, we will face uncertainties as to whether it can be timely obtained, or at all.

We rely on contractual arrangements with Our VIEs in China and their respective shareholders for our operations, which might not be as effective as direct ownership in providing operational control.

Since PRC laws restrict foreign equity ownership in companies engaged in certain internet businesses in China, we rely on contractual arrangements with our consolidated affiliated entity, in which we do not hold shares, and its shareholder to operate our business in China. If we held the shares of Our VIEs, we would be able to exercise our rights as a shareholder to effect changes in their respective board of directors, which in turn could effectuate changes at the management level, subject to any applicable fiduciary obligations. However, under the current contractual arrangements, we rely on Our VIEs and their shareholders' performance of their contractual obligations to exercise effective control. Our contractual arrangements are generally effective for the complete period Our VIEs exists. In general, neither Our VIEs nor their respective shareholders could terminate the contracts prior to the expiration date. However, the shareholders of Our VIEs might not act in the best interests of our company or might not perform its obligations under these contracts. Such risks exist throughout the period in which we intend to operate our business through the contractual arrangements with our consolidated affiliated entity. We can replace the shareholder of Our VIEs at any time pursuant to our contractual arrangements with it and its shareholders. However, if any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operation of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. See "—Any failure by Our VIEs or its shareholder to perform their obligations under our contractual arrangements with them could have an adverse effect on our business." Therefore, these contractual arrangements might not be as effective as the direct holding of shares.

Any failure by Our VIEs or their shareholders to perform their obligations under our contractual arrangements with them could have an adverse effect on our business.

Our VIEs and their shareholders could fail to take certain actions required for our business or follow our instructions despite their contractual obligations to do so. If they fail to perform their obligations under their respective agreements with us, we might have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, which might not be effective.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in certain other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements, which could make it difficult to exert effective control over our consolidated affiliated entity, and our ability to conduct our business could be adversely affected. Additionally, under PRC law, rulings by arbitrators are final. Parties cannot appeal the arbitration results in courts. If the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may enforce the arbitration awards only in PRC courts through arbitration award recognition proceedings, which could require additional expenses and delay.

Contractual arrangements with Our VIEs might result in adverse tax consequences to us.

Under applicable PRC tax laws and regulations, arrangements and transactions among related parties could be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. We could face adverse tax consequences if the PRC tax authorities were to determine that the contractual arrangements between Our WFOEs, Our VIEs and their respective shareholders were not entered into on an arms-length basis and therefore constituted unfavorable transfer pricing arrangements. Unfavorable transfer pricing arrangements could, among other things, result in an upward adjustment on taxation. In addition, the PRC tax authorities could impose late payment fees and other penalties on our consolidated affiliated entity for the adjusted but unpaid taxes. Our results of operations could be adversely affected if our consolidated affiliated entity's tax liabilities increase significantly or if it is required to pay late payment fees or other penalties.

The ultimate beneficial owners of Zhongmin, Ms. Xiaoxia Zhu and Ms. Huimin Wang, could have potential conflicts of interest with us, and if any such conflicts of interest are not resolved in our favor, our business could be adversely affected.

Our chairperson and chief executive officer, Ms. Xiaoxia Zhu, and our director, Ms. Huimin Wang, each hold 48.75% of the equity interests in Shanghai Zhongmin Investment and Development Group Co., Ltd., or Zhongmin, which in turn holds 100% of equity interests in Our VIE. The interests of Ms. Zhu and Ms. Wang as the ultimate beneficial owners of Zhongmin could differ from the interests of our company as a whole, notwithstanding both Ms. Zhu and Ms. Wang are our directors. We cannot assure you that when conflicts of interest arise, Ms. Zhu and Ms. Wang will act in the best interests of our company or that conflicts of interests will always be resolved in our favor. In addition, Ms. Zhu and Ms. Wang could cause Zhongmin and Zhongmin to breach or refuse to renew the existing contractual arrangements with us. Currently, we do not have existing arrangements to address potential conflicts of interest Ms. Zhu and Ms. Wang could encounter in their capacity as beneficial owners of Zhongmin. We rely on Ms. Zhu and Ms. Wang to comply with the laws of China, which protect contracts, including the contractual arrangements that Our VIE and its shareholder have entered into with us, provide that directors and executive officers owe a duty of loyalty to our company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains. We also rely on Ms. Zhu and Ms. Wang to abide by the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to our best interests. However, the legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and Ms. Zhu and Ms. Wang, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

We rely principally on dividends and other distributions on equity paid by our PRC and Hong Kong subsidiaries to fund any cash and financing requirements we might have. Any limitation on the ability of our PRC and Hong Kong subsidiaries to pay dividends to us could have an adverse effect on our ability to conduct our business.

We are a holding company, and we rely principally on dividends and other distributions on equity paid by Our WFOE, and our wholly-owned Hong Kong subsidiary, JMU HK, which is the direct holding company of Our WFOE, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we might incur. If Our WFOE or JMU HK, as the case may be, incurs debt on their own behalf in the future, the instruments governing the debt could restrict their ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities could require us to adjust our taxable income under the contractual arrangements Our WFOE currently has in place with our consolidated affiliated entity in a manner that would adversely affect its ability to pay dividends and other distributions to us.

Under PRC laws and regulations, Our WFOE, as a wholly foreign-owned enterprise in China, can pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise such as Our WFOE is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. At its discretion, it may allocate a portion of its after-tax profits based on PRC accounting standards to other funds. These statutory reserve funds and other funds are not distributable as cash dividends. As of December 31, 2018, the paid-in registered capital of Our WFOE was US\$26.6 million. Any limitation on the ability of Our WFOE or JMU HK to pay dividends or make other distributions to us could adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

We could lose the ability to use and enjoy assets held by Our VIE that are important to the operation of our business if such entities go bankrupt or become subject to dissolution or liquidation proceedings.

As part of our contractual arrangements with Our VIE, such entity holds certain assets that are important to the operation of our business. If Our VIE goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we might not be able to continue some or all of our business activities, which could adversely affect our business, financial condition and results of operations. If Our VIE undergoes voluntary or involuntary liquidation proceedings, the unrelated third-party creditors could claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could adversely affect our business, financial condition and results of operations.

Risks Relating to Doing Business in China

We could be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet businesses and companies.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it could be difficult to determine what actions or omissions could be deemed to be in violation of applicable laws and regulations. Issues, risks and uncertainties relating to PRC regulation of internet businesses include, but are not limited to, the following:

- there are uncertainties relating to the regulation of internet businesses in China, including evolving licensing practices. This means that permits, licenses or operations at some of our companies could be subject to challenge, or we could fail to obtain permits or licenses that would be deemed necessary for our operations, or we might not be able to obtain or renew certain permits or licenses or the government might revoke the certain permits or licenses of us. The major permits and licenses that could be involved include, without limitation, the ICP license. If we fail to maintain any of these required licenses or approvals, we could be subject to various penalties, including fines and the discontinuation of or restrictions on our operations. Any such disruption in our business operations could have an adverse effect on our results of operations;
- new laws and regulations could be promulgated that will regulate internet activities, including online services. If these new laws and regulations are promulgated, additional licenses could be required for our operations. If our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties; and
- Our VIE owns the operating website, *www.ccjoin.com*. We do not own the website due to the restriction of foreign investment in businesses providing value-added telecom services in China, including internet content distribution services. This could significantly disrupt our business, subject us to sanctions, compromise enforceability of related contractual arrangements, or have other harmful effects on us.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain any new licenses required under any new laws or regulations. There are also risks that we could be found to violate the existing or future laws and regulations given the uncertainty and complexity of China's regulation of internet businesses.

On July 13, 2006, the Ministry of Industry and Information Technology, or the MIIT, the successor of the Ministry of Information Industry, issued the Notice of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecom Services. This notice prohibits domestic telecom services providers from leasing, transferring or selling telecom business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecom business in China. According to this notice, either the holder of a value-added telecom business operating license or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecom services. The notice also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. Currently, Our VIE owns the related domain names, holds the ICP licenses necessary for the operation of our *www.ccjoin.com* website, and has applied for related trademarks with the Trademark Office of the State Administration for Industry and Commerce. Pursuant to the Administrative Measures on Internet Information Services effective since January 2011, as amended, commercial internet information services are subject to the licensing system. In case the operator provides commercial internet information services without obtaining an operation license or the services provided by the operator exceed the scope of the services as permitted by the operation license, the relevant telecom administrative agency could order to have such act corrected within a specified period. Where there is illegal income, the illegal income could be confiscated and a fine of no less than three times but no more than five times the value of the illegal income would be imposed; where there is no illegal income or the illegal income does not exceed RMB50,000, a fine of no less than RMB100,000 but no more than RMB1,000,000 could be imposed; in the event of a serious case, the operator shall be ordered to close down its website.

Uncertainties with respect to the PRC legal system could have an adverse effect on us.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions in a civil law system may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always consistent, and enforcement of these laws, regulations and rules involves uncertainties, which could limit the available legal protections.

In addition, the PRC administrative and court authorities have significant discretion in interpreting and implementing or enforcing statutory rules and contractual terms, and it could be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we could enjoy in the PRC than under some more developed legal systems. These uncertainties could affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply therewith, and could affect our ability to enforce our contractual or tort rights. Such uncertainties could therefore increase our operating costs and expenses as well as adversely affect our business and results of operations.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and could have a retroactive effect. As a result, we might not be aware of our violation of any of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could adversely affect our business and impede our ability to continue our operations.

Regulation and censorship of information distribution over the internet in China could adversely affect our business, and we could be liable for information displayed on, retrieved from or linked to our website.

China has enacted laws and regulations governing internet access and the distribution of products, services, news, information and other content through the internet. In the past, the PRC government has prohibited the distribution of information through the internet that it deems to be in violation of PRC laws and regulations. If any of our internet content was deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could adversely affect our business, financial condition and results of operations. We could also be subject to potential liability for any unlawful actions of users of our website or for content we distribute that is deemed inappropriate. It could be difficult to determine the type of content that could result in liability to us, and if we are found to be liable, we could be prevented from operating our website in China.

Regulation of food services in China could adversely affect our business, and we could be liable for food business operations.

China has enacted laws and regulations governing the sale of food. In accordance with the Food Safety Law of the People's Republic of China, the Administrative Measures for the Licensing of Food Business Operations, the Implementing Regulations for the Food Safety Law of the People's Republic of China and other relevant laws and regulations, business operators of food services shall carry out production and operation in accordance with the laws, regulations and food safety standards, ensure food safety, uphold integrity and self-discipline, be accountable to the public and society at large, accept public supervision and assume social responsibility. We have already obtained a Food Distribution Permit, a Retailing License for Liquor and a Wholesale License for Liquor. We believe we now possess all necessary licenses and permits to sell all categories of food products on our website. However, it is possible that the PRC government will require us to apply for additional licenses for certain specific categories of products. We cannot assure you that we can obtain any such additional permits from the PRC government at reasonable cost, or at all. Additionally, if any food product we sold is found unsafe by the PRC government, we will be punished under the relevant laws and regulations, and we may have to cease the sale of the whole category that contains the unsafe food product.

Governmental control of currency conversion could affect the value of your investment.

The PRC government imposes controls on the convertibility between the Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Substantially all of our revenues are denominated in Renminbi. Under our current holding company corporate structure, our income is primarily derived from dividend payments from our PRC subsidiary. Shortages in the availability of foreign currency or other restrictions could restrict the ability of our PRC subsidiary to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we might not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

Fluctuations in exchange rates of the Renminbi could affect our reported results of operations.

Substantially all of our revenues and expenses are denominated in RMB. The value of the RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

As we rely on dividends and other fees paid to us by our subsidiary and affiliated consolidated entities in China, any significant revaluation of the Renminbi could adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. To the extent that we need to convert U.S. dollars we received from our initial public offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. In addition, since our functional and reporting currency is the U.S. dollar while the functional currency of our subsidiary and consolidated affiliated entities in China is Renminbi, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would have a positive or negative effect on our reported financial results, which might not reflect any underlying change in our business, financial condition or results of operations.

Our operations could be adversely affected by changes in China's political, economic and social conditions.

Substantially all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects could be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures might benefit the overall Chinese economy, but could have a negative effect on us. For example, our financial condition and results of operations could be adversely affected by government control over capital investments or changes in tax regulations. In the past the PRC government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures could cause decreased economic activity in China, which could adversely affect our business and operating results. Any significant increase in China's inflation rate could increase our costs and have an adverse effect on our operating margins. In addition, any sudden changes to China's political system or the occurrence of widespread social unrest could have negative effects on our business and results of operations.

Under the PRC enterprise income tax law, we could be classified as a “resident enterprise” of China. Such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the PRC Enterprise Income Tax Law and its implementation rules, or the Enterprise Income Tax Rules, an enterprise established outside of the PRC with “de facto management bodies” within the PRC is considered a resident enterprise and is subject to PRC enterprise income tax at the rate of 25% on its global income. The Enterprise Income Tax Rules define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” The only detailed guidance currently available regarding the definition of “de facto management body” as well as the determination of the tax residence of offshore incorporated enterprises whose primary controlling shareholder is a PRC company or a PRC corporate group, and such enterprises’ tax administrations are set forth in two notices, the Notice On Issues Relating to Determination of Chinese-Controlled Offshore Enterprise as PRC Resident Enterprises by applying the “De Facto Management Body,” or Circular 82, and the Administrative Measures of Enterprise Income of Chinese Controlled Offshore Incorporated Resident Enterprise (Trial), or Circular 45, issued by the PRC State Administration of Taxation, or the Circulars. The Circulars provide that a foreign enterprise controlled by a PRC enterprise or a PRC enterprise group would be classified as a “resident enterprise” with its “de facto management body” located within China if all of the following requirements are satisfied: (i) the enterprise’s day-to-day operations management is primarily exercised in China, (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organizations or personnel in China, (iii) the enterprise’s primary assets, accounting books and records, company seals, board and shareholders’ meeting minutes are located or maintained in China, and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China. If all of these criteria are met, the relevant offshore enterprise controlled by PRC enterprises or PRC enterprise groups would be deemed to have its “de facto management body” in China and therefore be deemed a PRC resident enterprise. The Circulars made a clarification in the areas of resident status determination, post-determination administration, as well as the exercise of competent tax authorities’ procedures. The Circulars also specify that when provided with a copy of PRC tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, a payer of PRC-sourced dividends, interest, royalties, etc. should not withhold 10% income tax on such payments to such Chinese controlled offshore incorporated enterprise. Although the Circulars apply only to offshore enterprises controlled by PRC enterprises and not those controlled by PRC individuals such as us, the determination criteria and administration clarification made in the Circulars reflect the PRC State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented. There is no assurance that the PRC State Administration of Taxation will not apply the same or similar criteria as stated in the Circulars to determine whether the “de facto management body” of an offshore incorporated enterprise controlled by PRC individuals (like us) is located within the PRC in the future. If the PRC authorities were to determine that we should be treated as a PRC resident enterprise for the purpose of PRC enterprise income tax, a 25% enterprise income tax on our global income could significantly increase our tax burden and adversely affect our financial condition and results of operations.

Pursuant to the Enterprise Income Tax Law and the Enterprise Income Tax Rules, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign enterprise investors will be subject to a 10% withholding tax, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a reduced withholding arrangement. We are a Cayman Islands holding company and substantially all of our income comes from dividends from our PRC subsidiary through our Hong Kong holding company. To the extent these dividends are subject to withholding tax, the amount of funds available to us to meet our cash requirements, including the payment of dividends to our shareholders and ADS holders, will be reduced.

The Enterprise Income Tax Rules provide that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income. It is not clear how “domicile” might be interpreted under the Enterprise Income Tax Law, and it could be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered to be a PRC resident enterprise for tax purposes, any dividends we pay to our overseas corporate shareholders or ADS holders as well as gains realized by such shareholders or ADS holders from the transfer of our shares or ADSs could be regarded as PRC-sourced income and as a result subject to PRC withholding tax at a rate of up to 10%, subject to the provisions of any applicable tax treaty. If dividends we pay to our overseas individual shareholders or ADS holders, or gains realized by such holders from the transfer of our shares or ADSs, are treated as China-sourced income, the withholding rate would be 20%, subject to the provisions of any applicable tax treaty.

If we are required under the Enterprise Income Tax Law to withhold PRC income tax on any dividends paid to our non-PRC shareholders and ADS holders or if gains from dispositions of our shares or ADSs are subject to PRC tax, your investment in our ADSs or ordinary shares could be adversely affected.

Furthermore, the State Administration of Taxation promulgated the Announcement of the State Administration of Taxation on Issues concerning the Beneficial Owners in Tax Treaties in April 2018, or Circular 9, which provides guidance for determining whether a resident of a contracting state is the “beneficial owner” of an item of income under China’s tax treaties and tax arrangements. According to Circular 9, there exist many factors to exclude a resident of a contracting state from being treated as a beneficial owner, including but not limited to the following situations: (i) such resident of a contracting state is obliged to pay more than 50% of the income to the resident(s) of a third state (region) within 12 months of receipt of the income; and (ii) the business activities undertaken by such resident do not constitute substantive business activities. We cannot assure you that any dividends distributed by us to our non-PRC shareholders and ADS holders whose jurisdiction of incorporation has a tax treaty with China providing for the avoidance of double taxation will be entitled to the benefits under the relevant withholding arrangement.

A failure by our shareholders or beneficial owners who are PRC citizens or residents in China to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities or subject us to liability under PRC laws, which could adversely affect our business and financial condition.

The State Administration of Foreign Exchange, or SAFE, issued the Circular Relating to Foreign Exchange Administration of Offshore Investment, Financing and Return Investment by Domestic Residents Utilizing Special Purpose Vehicles, or SAFE Circular 37, that was promulgated and become effective on July 14, 2014. It requires a PRC natural person or a PRC company, or a PRC Resident, to file a “Registration Form of Overseas Investments Contributed by PRC Resident” and register with the local SAFE branch before it contributes assets or equity interests in an overseas special purpose vehicle, or SPV, that is directly established and controlled by PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC resident is also required to register with the local SAFE branch timely for any major change in respect of SPV, including, among other things, any major change of SPV’s PRC Resident shareholder, name of the SPV, term of operation or any increase or reduction of the SPV’s registered capital, share transfer or swap, and merger or division. Failure to comply with the registration procedures of Circular 37 could result in the penalties including the imposition of restrictions on the ability of SPV’s PRC subsidiaries to dividends to its overseas parent company.

It remains unclear how this regulation and any future related legislation will be interpreted, amended and implemented by the relevant PRC government authorities. As of December 31, 2018, to the best of our knowledge, most of our PRC Resident shareholders with offshore investments had not registered their offshore investments with SAFE according to the predecessor regulation of Circular 37, namely the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75, which was replaced by the SAFE Circular 37 but still effective when the relevant PRC shareholders made their investments. If PRC government determined that our PRC Resident shareholders are required to make the registration regarding their offshore investment under Circular 37, both they and us may be subject to fines by PRC government.

We are committed to complying, and to ensuring that our shareholders and beneficial owners who are PRC citizens or residents comply with SAFE Circular 37 requirements. The rest of our PRC citizen or resident beneficial owners are also applying for registrations under SAFE Circular 37 with the relevant local counterpart of SAFE. However, we might not be fully informed of the identities of all our beneficial owners who are PRC citizens or residents, and we cannot compel our beneficial owners to comply with SAFE Circular 37 requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC citizens or residents have complied with, or will in the future make or obtain the necessary any applicable registrations or approvals as required by, SAFE Circular 37 or other related regulations. Failure by such shareholders or beneficial owners to comply with SAFE Circular 37, or failure by us to amend the foreign exchange registrations of our PRC subsidiary, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects. Failure by us to amend the foreign exchange registrations in compliance with SAFE Circular 37 could subject us to fines or legal sanctions restrict our overseas or cross-border ownership structure, which could adversely affect our business and prospects. See "—We rely principally on dividends and other distributions on equity paid by our PRC and Hong Kong subsidiaries to fund any cash and financing requirements we might have. Any limitation on the ability of our PRC and Hong Kong subsidiaries to pay dividends to us could have an adverse effect on our ability to conduct our business."

A failure to comply with PRC regulations regarding the registration of shares and share options held by our employees who are PRC citizens could subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the Implementation Rules of the Administrative Measures on Individual Foreign Exchange, or the Individual Foreign Exchange Rules, promulgated by SAFE on January 5, 2007 and amended on May 2016, a relevant guidance issued by SAFE in March 2007 and Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, or the Stock Option Rules, on February 15, 2012 that replaces the guidance issued in March 2007, PRC citizens who are granted shares or share options by an overseas-listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas-listed company or other qualified PRC agents selected by such PRC subsidiary, to register with SAFE and complete certain other procedures related to the share option or other share incentive plan. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. For participants who had already participated in an employee share option or share incentive plan before the date of the guidance, the guidance requires their PRC employers or PRC agents to complete the relevant formalities within three months of the date of the guidance. We and our PRC citizen employees who have been granted share options, or PRC option holders, are subject to these rules. If we or our PRC option holders fail to comply with these rules, we or our PRC option holders could be subject to fines and legal or administrative sanctions.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

The State Administration of Taxation has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Certain Corporate Income Tax Matters Related to Indirect Transfer of Properties by Non-PRC Resident Enterprises issued in February 2015, or SAT Circular 7. Pursuant to SAT Circular 7, except for a few circumstances falling into the scope of the safe harbor provided by SAT Circular 7, such as open market trading of stocks in public companies listed overseas, if a non-PRC resident enterprise indirectly transfers PRC taxable properties (i.e. properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise) by disposing of equity interest or other similar rights in an overseas holding company, without a reasonable commercial purpose and resulting in the avoidance of PRC enterprise income tax, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose, such as whether the main value of equity interest in an overseas holding company is derived directly or indirectly from PRC taxable properties. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law without considering other factors set out by SAT Circular 7: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. SAT Circular 7 also introduces an interest regime by providing that where a transferor fails to file and pay tax on time, and where a withholding agent fails to withhold the tax, interest will be charged on a daily basis. If the transferor has provided the required documents and information or has filed and paid the tax within 30 days from the date that the share transfer contract or agreement is signed, then interest shall be calculated based on the benchmark interest rate; otherwise, the benchmark interest rate plus 5% will apply. Further, SAT Circular 7 embodies a voluntary reporting regime, and both the foreign transferor and the transferee, and the PRC tax resident enterprise whose equity interests are being transferred may voluntarily report the transfer by submitting the documents required in SAT Circular 7.

Although SAT Circular 7 provides clarity in many important areas, such as reasonable commercial purpose, there are still uncertainties on the tax reporting and payment obligations with respect to future private equity financing transactions, share exchange or other transactions involving the transfer of shares in non-PRC resident companies. Our company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises in our group are transferees in such transactions. For the transfer of shares in our company by investors who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under the rules and notices. As a result, we may be required to expend valuable resources to comply with these rules and notices or to request the relevant transferors from whom we purchase taxable assets to comply, or to establish that our company and other non-resident enterprises in our group should not be taxed under these rules and notices, which may have a material adverse effect on our financial condition and results of operations.

We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. We acquired JMU HK in June 2015 and divested our B2C business in September 2015, and we may pursue acquisitions in the future that may involve complex corporate structures. If we are considered a non-resident enterprise under the PRC Enterprise Income Tax Law and if the PRC tax authorities make adjustments to the taxable income of these transactions under SAT Circular 7, our income tax expenses associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

PRC laws and regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

PRC laws and regulations, such as the 2006 M&A Rules, the Anti-Monopoly Law promulgated by the PRC National People's Congress in 2007 and the Notice on the Establishment of the Security Review System in Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by the State Council, or the Security Review Rule, establish procedures and requirements that could make some acquisitions of Chinese companies by foreign investors and companies more time-consuming and complex, including requirements in some instances that various governmental authorities be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. For example, on February 3, 2011, the State Council promulgated the Security Review Rule, which provides, among other things, that merger and acquisition transactions by foreign investors of PRC enterprises in sensitive sectors or industries, such as internet information service industry, which our operations fall within, could be subject to security review. Consequently, any such transaction could be blocked due to their effect on the national defense security, national economic stability, basic social life order, or capacity of indigenous research and development of key technologies. On August 25, 2011, the Ministry of Commerce promulgated the Regulations on Implementing the Security Review System in Mergers and Acquisition of Domestic Enterprises by Foreign Investors, which, among other things, set forth detailed provisions on how the security review of relevant transactions would be conducted, and provide for that foreign investors could not for any reason evade the security review process through entrustment, phased-in investment, leasing, loans and control agreement, and overseas transactions. We could expand our business in part by acquiring complementary businesses. Complying with the requirements of the relevant PRC laws and regulations to complete such transactions could be time-consuming, and any required approval processes could delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Increases in labor costs in the PRC may adversely affect our business and results of operations.

The economy of China has been experiencing increases in inflation and labor costs in recent years. As a result, the average wages in the PRC are expected to continue to grow. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. The relevant government agencies may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and those employers who fail to make adequate payments could be subject to late payment fees, fines and/or other penalties. If the relevant PRC authorities determine that we should make supplemental social insurance and housing fund contributions and that we are subject to fines and legal sanctions, our business, financial condition and results of operations could be adversely affected. We expect that our labor costs, including wages and employee benefits, would continue to increase. Unless we are able to pass on these increased labor costs to our customers by increasing the prices of our products and services, our financial condition and results of operations could be adversely affected.

We are subject to consumer protection laws that could require us to modify our current business practices and incur increased costs.

We are subject to numerous PRC laws and regulations that govern e-commerce business, such as the Consumer Protection Law. If these regulations were to change or if we or our merchant clients were to violate them, the costs of certain products or services could increase, or we could be subject to fines or penalties or suffer reputational harm, which could reduce demand for the products or services offered on our website and adversely affect our business and results of operations. For example, the amended Consumer Protection Law, which became effective in March 2014, further strengthens the protection of consumers and imposes more stringent requirements and obligations on business operators, especially for businesses that operate on the internet. We do not maintain product liability insurance for products and services transacted on our platform, and our rights of indemnity from the vendors and service providers might not adequately cover us for any liability we incur. Even unsuccessful claims could result in the expenditure of funds and management time and resources and could reduce our net income and profitability. In addition, The PRC E-Commerce Law, which was issued on August 31, 2018 and came into effect on January 1, 2019, imposes further obligations on e-commerce business operators, such as protecting consumer rights and interests, protecting the environment, protecting intellectual property rights, protecting cybersecurity and individual information, assuming responsibility for the quality of products or services, and accepting the supervision by the government and the public. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We could be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which could increase our costs and limit our ability to operate our business.

Risks Relating to Our ADSs

The trading price of our ADSs could be volatile, which would result in substantial losses to investors.

The trading price of our ADSs could be volatile and could fluctuate widely in response to factors relating to our business as well as external factors beyond our control. Factors such as variations in our financial results, announcements of new business initiatives by us or by our competitors, recruitment or departure of key personnel, changes in the estimates of our financial results or changes in the recommendations of any securities analysts electing to follow our securities or the securities of our competitors could cause the market price for our ADSs to change substantially. At the same time, securities markets could from time to time experience significant price and volume fluctuations that are not related to the operating performance of particular companies, as they did for example in late 2008 and early 2009. These market fluctuations could also have an adverse effect on the market price of our ordinary shares.

The performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States could affect the volatility in the price of and trading volumes for our ADSs. In recent years, a number of PRC companies have listed their securities, or are in the process of preparing for listing their securities, on U.S. stock markets. Some of these companies have experienced significant volatility, including significant price declines in connection with their initial public offerings. The trading performances of these PRC companies' securities at the time of or after their offerings could affect the overall investor sentiment towards PRC companies listed in the United States and consequently could affect the trading performance of our ADSs. These broad market and industry factors could significantly affect the market price and volatility of our ADSs, regardless of our actual operating performance. Any of these factors could result in large and sudden changes in the trading volume and price for our ADSs.

If we fail to maintain Nasdaq minimum market value of publicly held shares or minimum bid requirements, our ADSs could be delisted.

According to the Nasdaq listing standards, if the market value of publicly held shares falls below US\$5 million for 30 consecutive business days, such company's securities may be subject to delisting from Nasdaq Global Market, unless such failure is cured within the grace period the company is eligible to, from the date on which Nasdaq notifies to the listed company of such failure. On December 10, 2018, we received a letter from Nasdaq advising us that the market value of our publicly held shares was below US\$5 million for the last 30 consecutive business days and we had been granted a grace period of 180 calendar days, expiring on June 10, 2019, in which to regain compliance. We will regain compliance if at any time during such 180-day period, the market value of the our publicly held shares closes at US\$5 million or more for a minimum of ten consecutive business days. In the event that we do not regain compliance, we may consider applying to transfer our ADSs to the NASDAQ Capital Market, or delist our ADSs.

Furthermore, according to the Nasdaq listing standards, if the trading price of a listed company's listed securities falls below US\$1.00 per share for a period of 10 consecutive business days, such company's securities may be subject to delisting unless such failure is cured within the grace period the company is eligible to, from the date on which Nasdaq notifies to the listed company of such failure. On January 4, 2019 we received a letter from Nasdaq advising us that our ADS had been trading at a price that would subject our ADSs to delisting if we fail to regain compliance with the Nasdaq minimum bid price requirements. We have been granted a grace period of 180 calendar days, expiring on July 3, 2019, in which to regain compliance. We will regain compliance if, at any time during this 180-day period, the closing bid price of the Company's ADSs is at least US\$1.00 for a minimum of ten consecutive business days. In the event we do not regain compliance within 180 calendar days, we may be eligible for additional time.

We have not regained compliance with these two requirements as of the date of annual report. We intend to monitor the market value of our publicly held shares and the closing bid price of our ADSs between now and June 10, 2019 and July 3, 2019, respectively, and consider available options to cure the deficiency and regain compliance within the prescribed grace periods. If we fail to regain compliance, our ADSs could be subject to delisting. There can be no assurance that we will meet the requirements for continued listing.

We are an emerging growth company and cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our ADSs less attractive to investors.

We are an "emerging growth company" under the JOBS Act, and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards.

We have not yet opted out of these exemptions available to the emerging growth companies. This decision would allow us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies or otherwise become applicable to us. As a result, our consolidated financial statements might not be comparable to public companies or other emerging growth companies that have opted out of this provision. We cannot predict if investors will find our ADSs less attractive because we will rely on these exemptions. If some investors find our ADSs less attractive as a result, our stock price could be lower than it otherwise would be, there could be a less active trading market for our ADSs and our stock price could be more volatile.

We will remain an emerging growth company until the earliest of (i) the last day of our fiscal year during which we have total annual gross revenues of at least \$1.0 billion; (ii) the last day of our fiscal year ending after the fifth anniversary of the completion of our initial public offering; (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt; or (iv) the date on which we are deemed to be a “large accelerated filer” under the Exchange Act.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

As a foreign private issuer, we are permitted to, and we plan to, rely on exemptions from certain Nasdaq corporate governance standards applicable to U.S. issuers, including the requirement that a majority of an issuer’s directors consist of independent directors. This might afford less protection to holders of our ordinary shares and ADSs.

Section 5605(b)(1) of the Nasdaq Listing Rules requires listed companies to have, among other things, a majority of its board members to be independent, and Section 5605(d) and 5605(e) require listed companies to have independent director oversight of executive compensation and nomination of directors. As a foreign private issuer, however, we are permitted to, and we plan to follow home country practice in lieu of the above requirements. The corporate governance practice in our home country, the Cayman Islands, does not require a majority of our board to consist of independent directors or the implementation of a nominating and corporate governance committee. We have informed Nasdaq that we will follow home country practice in place of all of the requirements of Rule 5600 other than those rules which we are required to follow pursuant to the provisions of Rule 5615(a)(3).

- Rule 5605(b), pursuant to which (i) a majority of the board of directors must be comprised of Independent Directors, and (ii) the Independent Directors must have regularly scheduled meetings at which only Independent Directors are present.
- Rule 5605(c) (other than those parts as to which the home country exemption is not applicable), pursuant to which each company must have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom must meet criteria set forth in Rule 5605(c)(2) (A).

- Rule 5605(d), pursuant to which each company must (i) certify that it has adopted a formal written compensation committee charter and that the compensation committee will review and reassess the adequacy of the formal written charter on an annual basis, and (ii) have a compensation committee of at least two members, each of whom must be an Independent Director.
- Rule 5605(e), pursuant to which director nominees must be selected, or recommended for the Board's selection, either by Independent Directors constituting a majority of the Board's Independent Directors in a vote in which only Independent Directors participate, or a nominations committee comprised solely of Independent Directors.
- Rule 5610, pursuant to which each company shall adopt a code of conduct applicable to all directors, officers and employees.
- Rule 5620(a), pursuant to which each company listing common stock or voting preferred stock, or their equivalents, shall hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year-end.
- Rule 5620(b), pursuant to which each company shall solicit proxies and provide proxy statements for all meetings of shareholders and shall provide copies of such proxy solicitation to Nasdaq.
- Rule 5620(c), pursuant to which each company that is not a limited partnership shall provide for a quorum as specified in its by-laws for any meeting of the holders of common stock; provided, however, that in no case shall such quorum be less than $33\frac{1}{3}\%$ of the outstanding shares of the company's common voting stock.
- Rule 5630, pursuant to which each company that is not a limited partnership shall conduct an appropriate review and oversight of all related party transactions for potential conflict of interest situations on an ongoing basis by the company's audit committee or another independent body of the board of directors.
- Rule 5635(a), pursuant to which shareholder approval is required in certain circumstances prior to an issuance of securities in connection with the acquisition of the stock or assets of another company.
- Rule 5635(b), pursuant to which shareholder approval is required prior to the issuance of securities when the issuance or potential issuance will result in a change of control of the company.
- Rule 5635(c), pursuant to which shareholder approval is required prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees, or consultants, subject to certain exceptions.
- Rule 5635(d), pursuant to which shareholder approval is required prior to the issuance of securities in connection with a transaction other than a public offering involving:
 - o the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable for common stock) at a price less than the greater of book or market value which together with sales by officers, directors or Substantial Shareholders of the company equals 20% or more of common stock or 20% or more of the voting power outstanding before the issuance; or
 - o the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable common stock) equal to 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock.

Anti-takeover provisions in our charter documents could discourage a third-party from acquiring us, which could limit our shareholders' opportunities to sell their shares at a premium.

Our fourth amended and restated memorandum and articles of association include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change-of-control transactions. For example, our board of directors will have the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix the designations, powers, preferences and relative, participating, optional and other rights, if any, and the qualifications, limitations and restrictions thereof, if any, including, without limitation, the number of shares constituting each such class or series, dividend rights, conversion rights, redemption privileges, voting powers, full or limited or no voting powers, and liquidation preferences, any or all of which could be greater than the rights associated with our ordinary shares. Preferred shares could thus be issued quickly with terms calculated to delay or prevent a change in control or make removal of management more difficult. In addition, if our board of directors issues preferred shares, the market price of our ordinary shares could fall and the voting and other rights of the holders of our ordinary shares could be adversely affected. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of us in a tender offer or similar transaction.

You might not receive certain distributions we make on our ordinary shares or other deposited securities if the depositary decides not to make such distributions to you.

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary may, at its discretion, decide that it is not lawful or reasonably practicable to make a distribution available to any holders of ADSs. For example, the depositary could determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions could be less than the cost of mailing them. In these cases, the depositary could decide not to distribute such property and you will not receive such distribution.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under U.S. law, you could have less protection of your shareholder rights than you would under U.S. law.

Our corporate affairs are governed by our fourth amended and restated memorandum and articles of association, the Cayman Islands Companies Law (2018 Revision), as amended, and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by noncontrolling shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States and provides significantly less protection to investors. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands.

There is uncertainty with regard to Cayman Islands law related to whether a judgment obtained from the U.S. courts under civil liability provisions of U.S. securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company, such as our company. As the courts of the Cayman Islands have yet to rule on making such a determination in relation to judgments obtained from U.S. courts under civil liability provisions of U.S. securities laws, it is uncertain whether such judgments would be enforceable in the Cayman Islands. Maples and Calder (Hong Kong) LLP has advised us that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States, a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment:

- is given by a foreign court of competent jurisdiction;
- imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given;
- is final;
- is not in respect of taxes, a fine or a penalty; and
- was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

You should also read “Item 10. Additional Information—A. Share Capital—Ordinary Shares—Differences in Corporate Law” for some of the differences between the corporate and securities laws in the Cayman Islands and the United States.

Your ability to protect your rights as shareholders through the U.S. federal courts could be limited because we are incorporated under Cayman Islands law.

Cayman Islands companies might not have the standing to initiate a derivative action in a federal court of the United States. As a result, your ability to protect your interests if you are harmed in a manner that would otherwise enable you to sue in a United States federal court could be limited to direct shareholder lawsuits.

You will have limited ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, because we are incorporated in the Cayman Islands, because we conduct a majority of our operations in China and because all of our directors and officers reside outside the United States.

We are incorporated in the Cayman Islands and conduct our operations exclusively in China. All of our assets are located outside the United States. All of our officers and directors reside outside the United States and a substantial portion of the assets of those persons are located outside of the United States. As a result, it could be difficult or impossible for you to bring an action against us or against these individuals in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China could render you unable to enforce a judgment against our assets or the assets of our directors and officers. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state, and it is uncertain whether such Cayman Islands or PRC courts would be competent to hear original actions brought in the Cayman Islands or China against us or such persons predicated upon the securities laws of the United States or any state.

Shareholders of Cayman Islands exempted companies such as ourselves have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders of these companies. Our directors have discretion under Cayman Islands law to determine whether or not, and under what conditions, our corporate records could be inspected by our shareholders, but are not obliged to make them available to our shareholders. This could make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, public shareholders might have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a U.S. company.

The voting rights of holders of ADSs are limited in several significant ways by the terms of the deposit agreement.

Holders of our ADSs will only be able to exercise their voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depositary. Upon receipt of voting instructions from a holder of ADSs in the manner set forth in the deposit agreement, the depositary will endeavor to vote the underlying ordinary shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you cancel your ADSs and withdraw the underlying shares and follow the requisite steps to be recognized as a holder of shares entitled to vote such shares. Under our fourth amended and restated memorandum and articles of association and Cayman Islands law, the minimum notice period required for convening a general meeting is 10 clear days. When a general meeting is convened, you might not receive sufficient notice of a shareholders' meeting to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter at the meeting. In addition, the depositary might not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the shares representing your ADSs. Furthermore, the depositary will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you might not be able to exercise your right to vote and you could lack recourse if your ordinary shares are not voted as you requested.

Except as described in this annual report and in the deposit agreement, holders of our ADSs will not be able to exercise voting rights attaching to the ordinary shares evidenced by our ADSs on an individual basis. Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the ordinary shares represented by the ADSs. You might not receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. The deposit agreement provides that if the depositary does not timely receive valid voting instructions from the ADS holders, then the depositary must, with certain limited exceptions, give a discretionary proxy to a person designated by us to vote such shares. Furthermore, as a party to the deposit agreement, you waive your right to trial by jury in any legal proceedings arising out of the deposit agreement or the ADRs against us and/or the depositary.

You might not receive distributions on our ordinary shares or any value for them if it is unlawful or impractical for us to make them available to you.

The depositary of our ADSs has agreed to pay you the cash dividends or other distributions it or the custodian for our ADSs receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our ordinary shares your ADSs represent. However, the depositary is not responsible if it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed pursuant to an applicable exemption from registration. The depositary is not responsible for making a distribution available to any holders of ADSs, if any government approval or registration is required for such distribution. We have no obligation to take any other action to permit the distribution of our ADSs, ordinary shares, rights or anything else to holders of our ADSs. This means that you might not receive the distributions we make on our ordinary shares or any value for them if it is unlawful or impractical for us to make them available to you. These restrictions could have an adverse effect on the value of your ADSs.

You might be subject to limitations on the transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary could close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary could close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary could also close its books in emergencies, and on weekends and public holidays. The depositary could refuse to deliver, transfer or register transfers of our ADSs generally when our books or the books of the depositary are closed, or at any time if we think or the depositary thinks it is necessary or advisable to do so in connection with the performance of its duty under the deposit agreement, including due to any requirement of law or any government or governmental body, or under any provision of the deposit agreement.

Compliance with rules and requirements applicable to public companies could cause us to incur increased costs, which could negatively affect our results of operations.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and Nasdaq Global Market, has required changes in corporate governance practices of public companies. We expect these rules and regulations to increase our legal, accounting and financial compliance costs and to make certain corporate activities more time-consuming and costly. Complying with these rules and requirements could be especially difficult and costly for us because we might have difficulty locating sufficient personnel in China with experience and expertise relating to U.S. GAAP and U.S. public company reporting requirements, and such personnel could command higher salaries relative to what similarly experienced personnel would command in the United States. If we cannot employ sufficient personnel to ensure compliance with these rules and regulations, we might need to rely more on outside legal, accounting and financial experts, which could be very costly. In addition, we will incur additional costs associated with our public company reporting requirements. We are evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we might incur or the timing of such costs.

We could be a passive foreign investment company, or PFIC, which would result in adverse United States tax consequences to United States investors

We will be classified as a “passive foreign investment company,” or “PFIC” if, in the case of any particular taxable year, either (a) 75% or more of our gross income for such year consists of certain types of “passive” income or (b) 50% or more of the average quarterly value of our assets (as determined on the basis of fair market value) during such year produce or are held for the production of passive income. Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of passive assets (including property producing passive income) and net foreign currency gains. For this purpose, cash is categorized as a passive asset and the company’s unbooked intangibles associated with active business activity are taken into account as a non-passive asset. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Based on our current income and assets and the value of our ADSs and outstanding ordinary shares, we do not believe that we were a PFIC for our taxable year ended December 31, 2018 and we do not expect to be classified as a PFIC for our taxable year ending December 31, 2019 or in the foreseeable future.

With respect to our 2019 taxable year and foreseeable future taxable years, we presently do not anticipate that we will be a PFIC based upon the expected value of our assets, including goodwill (determined, in part, based on the price of our ADSs), and the expected future composition of our income and assets. However, we might be a PFIC for our 2019 taxable year or any future taxable years due to changes in our asset or income composition, or the value of our assets, including if our market capitalization is less than anticipated or subsequently declines.

Although the law in this regard is not entirely clear, we treat Our VIE as being owned by us for United States federal income tax purposes because we control its management decisions and we are entitled to substantially all of its economic benefits and, as a result, we consolidate its results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of Our VIE for United States federal income tax purposes, we could be treated as a PFIC for our taxable year ended December 31, 2018 and for subsequent taxable years.

If we were or are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, we generally will continue to be treated as a PFIC as to you for all succeeding taxable years during which you hold our ADSs or ordinary shares, except if you have made a mark-to-market election. Because there are uncertainties in the application of the relevant rules and PFIC status is a fact-intensive determination made on an annual basis, no assurance can be given that we will not be or have not been a PFIC for any year. If we were or are a PFIC, U.S. holders of our ADSs or ordinary shares could be subject to increased tax liabilities under United States federal income tax laws and could be subject to burdensome reporting requirements. See “Item 10. Additional Information—E. Taxation—Material United States Federal Income Tax Considerations—Passive Foreign Investment Company.”

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company.

We commenced business in March 2010, operating a group buying and B2C e-commerce platform through Beijing Wowo Tuan Information Technology Co., Ltd. In order to facilitate investment in our company, we incorporated our holding company Wowo Limited in July 2011.

In April 2015, we completed our initial public offering and listed our ADSs on the Nasdaq Global Market under the symbol “WOWO.” We raised approximately US\$37.3 million in net proceeds from our initial public offering after deducting underwriting commissions and the offering expenses payable by us.

In June 2015, we acquired Join Me Group (HK) Investment Company Limited to establish our food services industry B2B business. We issued 741,422,780 ordinary shares and paid US\$30.0 million as consideration for the acquisition.

In September 2015, we divested our group buying and B2C e-commerce businesses to focus our efforts on our food services industry B2B business.

In September 2015, we raised US\$15.0 million in a private placement transaction with Mr. Maodong Xu.

In June 2016, we changed the trading symbol for our ADSs listed on the Nasdaq Global Market to “JMU.” In December 2016, we also changed our company name to “JMU Limited.”

In August 2016, TANSI Global Food Group Co., Ltd, which was formerly known as Xiao Nan Guo Restaurants Holdings Limited, a Hong Kong Stock Exchange listed company (Stock Code: 3666), through its wholly-owned subsidiary, acquired a 9.82% stake in our company via secondary transfers for a total consideration of HK\$368 million (approximately US\$47.5 million).

In July 2018, we changed the ratio of our ADSs to ordinary shares from one ADS representing 18 ordinary shares to one ADS representing 180 ordinary shares.

In May 2019, we acquired Unicorn Investment Limited, or Unicorn, to establish our blockchain-based technology business. We issued 632,660,858 new ordinary shares as consideration for the acquisition.

We currently conduct our operations in China through contractual arrangements between our wholly-owned PRC subsidiaries, Shanghai Zhongming and Lianji Future, on the one hand, and our consolidated affiliated entities in China, Zhongmin, Lianji and their respective shareholders on the other.

Our principal executive offices are located at 2/F, No. 608, Macau Road, Putuo District, Shanghai 200060, People's Republic of China. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. Our investor relationship website is <http://ir.ccjmu.com/>.

B. Business overview.

We currently operate an online platform for providing B2B services to food-industry suppliers and customers in China. We acquired this business in a merger with Join Me Group (HK) Investment Company Limited, or JMU HK, in June 2015. Our B2B online platform recorded gross billing of RMB7.7 billion (US\$1.1 billion) in 2018, measured in terms of gross merchandise value.

We connect suppliers and customers in the food service industry through our online platform. Our customers include restaurants, restaurant chains, hotels, food product manufacturers and others. We offer a wide selection of products at competitive prices through our website www.ccjoin.com and our mobile applications. We also offer convenient payment options and customer services. Our customers are focused on the quality of raw materials that they source for their businesses, and we provide more comfort and confidence to our customers by verifying the qualification of suppliers. In addition to our online services, we also host offline auction events to afford suppliers and customers the opportunity to meet in person and establish connections and in the meantime give traditional food service businesses the chances to adopt the online purchase process in a gradual manner.

We started with the mission to transform the connection between suppliers and customers in the food service industry into a more transparent and efficient form, and we also leverage our supplier and customer base to further provide value-added services such as logistics and trade financing.

We are a technology-driven company and we have made investments in developing our own scalable proprietary technology platform that supports our growth and enables us to provide technology services. In 2015, we developed our cloud procuring system, which can be both integrated into our customers' existing enterprise resource systems or be used independently as procurement management software.

Previously, we had operated a B2C e-commerce platform for local entertainment and lifestyle services. Although we disposed of this business in September 2015, we are still utilizing the experience we gained in operating an e-commerce platform as well as our capacity to leverage the big data from online purchases in our current B2B services business. We have classified our B2C business as discontinued operations in our consolidated financial statements.

We had revenues of US\$36.5 million and a net loss of US\$123.2 million in 2018.

Our Business Model

Since the acquisition of our current B2B business, we have focused on developing an online marketplace that can connect suppliers and customers in the food service industry in China, while in the meantime developing our own online direct sales business. Leveraging our platform and the scale of our business, we have also begun to offer other services that are complementary to our core business and create significant value to our business partners, including third-party sellers and suppliers, and ultimately benefit our business and customers.

Currently substantially all of our business is carried out within China and Hong Kong. The total revenue of the food service industry in China was approximately RMB4,271.6 billion (US\$634.5 billion) in 2018, of which raw material procurement constituted approximately 25% - 30%, according to National Bureau of Statistics of China. Most of this spending has been in the traditional offline form. Our B2B platform was started with the vision of reshaping industrial rules and building a more transparent and more efficient business ecosystem for food service businesses in China. Through cooperation with industry associations and hundreds of leading restaurants across China, we believe that we can create significant network effects with our B2B platform. We work closely with various reputable buyers and suppliers in the food service industry, providing one-stop procurement services, as well as product development, marketing and other value-added services, for a variety of food service businesses via the B2B platform www.ccjoin.com.

Online Direct Sales

In our online direct sales business, we acquire products from suppliers and sell them directly to customers. We have been continually expanding our offering in direct sales since the acquisition of our B2B business in June 2015. As of December 31, 2018, we offered approximately 1,482 kinds of products in ten product categories through our online direct sales business model. We focus on the sale of standard new ingredients by conducting research and developments of new products and organizing the manufacture by factories to ensure the standardized process of operation.

Online Marketplace

In our online marketplace business, third-party sellers offer products to customers over our online marketplace. We acquired our B2B online marketplace in June 2015, and have been bringing new products and services to our online marketplace since then. As of December 31, 2018, there were approximately 3,779 third-party sellers in our online marketplace. Our B2B online platform recorded gross billing of RMB7.7 billion (US\$1.1 billion) in 2018, measured in terms of the gross merchandise value. In order to attract more third-party sellers, we currently do not charge commission on transactions on our online marketplace. We provide transaction processing and billing services on all orders on our online marketplace. We require third-party sellers to meet our standards of quality. We aim to offer customers the same high quality customer experience regardless of the source of the products they choose.

Customer Experience

We are committed to optimizing customer experience and achieving customer satisfaction. This commitment drives every aspect of our operations, which are focused on four core components: product offerings, pricing, online experience and customer services.

Products

We continually seek to add more products that appeal to our target customers. Our offerings (including both online direct sales and online marketplace offerings) are organized into ten product categories on our website:

- food ingredients;
- seasonings;
- alcoholic and non-alcoholic drinks;
- hotel appliances;
- tableware;
- kitchen appliances;
- office appliances;
- furniture;
- hotel and restaurant information systems; and
- hotel and restaurant decoration.

Each of these categories is further divided into numerous subcategories to facilitate browsing.

Pricing

We offer competitive pricing to attract and retain customers. We make continual efforts to maintain and improve an efficient cost structure and create incentives for our suppliers to provide us with competitive prices.

Pricing policy. For some of our products, we set our prices to be competitive against those on other major e-commerce websites and in physical stores in China. We typically negotiate with our suppliers for prices that are comparable to or lower than those offered to retailers in other sales channels. Currently, third-party sellers are free to set their own prices on our online marketplace.

Special promotions. We highlight top-selling products, in our marketing campaigns and make promotion and marketing plans accordingly.

Online Experience

We believe that online experience is important to attracting and retaining customers and increasing orders. Our website offers site navigation, search functions and product information. These features address customers' desire to view, understand and compare products before purchasing. With the increasing popularity of mobile internet-enabled devices, we have also developed applications and features adapted to mobile internet users, and we currently offer mobile access through our mobile website and our mobile applications.

Customer Service

Providing satisfactory customer services is a high priority. Our commitment to customers is reflected in the high level of service provided by our customer service staff as well as in our product return and exchange policies.

Customer service center. Our sales representative will provide customer service directly to our customers. As of December 31, 2018, we have 30 sales representatives. Meanwhile, we have set up our "400 hotline" for customer service, and we have a "400 hotline" call center service team of two employees. Customers can call our telephone hotline, ask questions and leave complaints in writing through our website, or send us e-mails.

Returns and exchanges. We generally allow customers to return defective products within 7 days or exchange them within 15 days, counting from the date when the customer receives the product. We will generally arrange our third-party courier partners to pick up defective items for return or exchange at the customer's address. The policies apply to products sold by ourselves while third-parties sellers apply their own policies on returns and exchanges for transactions on our online marketplace.

Membership program. We have established a membership program to cultivate customer loyalty and encourage our customers to make additional purchases. There are three levels of members, and promotion to higher levels is based on the amount that the customer has spent with us. Members get a variety of benefits that increase with level, and generally higher level members can enjoy a lower purchase price even for the same item.

Third-party Seller Experience

We are also endeavoring to make the transactions by third-party sellers on our platform convenient. For example, we link third-party sellers on our online marketplace to third-party service providers that offer either delivery services or a combination of warehousing plus delivery services as well as trade financing. Moreover, we also provide offline exhibition marketing services to sellers ourselves, in addition to the basic transaction processing and billing services that we provide them at no extra cost.

We also provide certain premium customers, suppliers and third-party sellers with reports on a regular basis as to recent procurement data and trends in the food services industry, to assist them to better develop their products and manage their inventory.

Our finance business unit is in the process of developing various financial products and services in addition to trade financing as additional services we provide to our business partners, including third-party sellers. We will continue to develop innovative financial products that can further leverage our strengths in e-commerce and our technology platform.

Currently some of the services mentioned above have been provided to third-party sellers free of charge as part of our strategy to grow the scale of our business.

Merchandise Sourcing

In our online direct sales business, we sourced products from 17 suppliers as of December 31, 2018. Procuring products for the food services industry requires considerable specialized expertise, which is provided by our seller team. We negotiate with the higher-level distributor where possible in order to obtain the most favorable terms. In addition, we had approximately 3,779 third-party sellers on our online marketplace as of December 31, 2018.

We have created a vendor interface on our website where our third-party sellers can access reports regarding inventory status, purchase history and customer reviews of their products. Third-party sellers can use this information in their marketing and product development efforts and also in managing their own inventory, which helps them manage costs.

We select suppliers and third-party sellers on the basis of brand, reliability, volume and price. They must be able to meet our demands for timely supply of high quality products and also provide high-quality post-sale customer service. We perform background checks on each supplier and third-party seller and the products they provide before we enter into any agreement. We examine their business licenses and the qualification certificates for their products, and check their brand recognition and make inquiries about the market acceptance of their products among players in the same industry. We also conduct on-site visits to assess certain suppliers and third-party sellers and verify their location, scale of business, production capacity, property and equipment, human resources, research and development capability, quality control system and fulfillment capability. We also require all vendors to upload their business license, tax registration certificate and organization code certificate for our verification. Our standard form contract requires suppliers and third-party sellers to represent that their goods are from lawful sources and do not infringe upon lawful rights of third parties and to pay us liquidated damages for any breach. We normally enter into framework agreements with our suppliers and third-party sellers and renew them after expiration. We have also put stringent rules in place governing the operations of third-party sellers on our online marketplace. Third-party sellers will be subject to penalties or be asked to end their operations on our online marketplace if they violate the marketplace rules, for example by selling food beyond its expiration date.

Technology Platform

We have built our technology platform relying primarily on software and systems that we have developed in-house and to a lesser extent on third-party software that we have modified and incorporated. Our platform is based on cloud-computing and cloud-storing technology to fully support our needs for industry big-data analysis. Equipped with the advanced technology and designed with scalability, our platform is capable of supporting our business and providing seamless access for any third-party platforms. Our server fleet consisted of approximately 25 servers, fire-wall and network switches as of December 31, 2018, and we employed 12 IT professionals to design, develop, maintain, and operate our technology platform as of the same date.

Our proprietary technology platform supports our growing processing capacity requirements, provides us accurate information throughout our operation value chain, and enables harnessing of insightful data analytics.

Our strong technology platform is vital in supporting our pursuit of a continually improving customer experience, including the customer experience of our mobile users. From our website, the primary customer interface, to the back end management systems, our technology platform supports accurate operational execution as well as information flow, data consistency and analytics. We are also working with our key customers to integrate our platform into their own ERP system to facilitate their management of food supplies.

We have adopted security policies and measures, including encryption technology, to protect our proprietary data and customer information, and we back up our database, including customer data, every day with both on-site and off-site storage.

Marketing

We engage various marketing channels to expand our business to more suppliers and customers. We provide various incentives to our customers to increase their spending and loyalty, and we send e-mails to our customers periodically with product recommendations or promotions. To enhance our brand awareness, we also have engaged in brand promotion activities.

In addition to the online marketing activities, we also utilize offline activities to attract more users and promote our brand recognition. For example, we organize offline auction events for food service businesses to purchase their supplies in bulk.

We also utilize industrial associations to extend our services to an ever increasing number of food service business. Our services are recommended by the China Hotel Association, the China Cuisine Association and the China Tourist Hotel Association.

Competition

The e-commerce industry in China is intensely competitive. Our current or potential competitors include traditional offline food service suppliers and other internet companies tipping in the online food service industry.

We anticipate that the e-commerce market will continually evolve and will continue to experience rapid technological change, evolving industry standards, shifting customer requirements, and frequent innovation. We must continually innovate to remain competitive. We believe that the principal competitive factors in our industry are:

- brand recognition and reputation;
- product quality and selection;
- pricing;
- fulfillment capabilities; and
- customer service.

In addition, new and enhanced technologies may increase the competition in the online retail industry. New competitive business models may appear, for example based on new forms of social media or social commerce.

We believe that we are well-positioned to effectively compete on the basis of the factors listed above. However, some of our current or future competitors have or may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than we do.

Seasonality

We believe that we experience seasonality in our business that reflects seasonal fluctuations in purchase patterns for food service business. In general, the fourth quarter is the high season for the food service industry in China, and consequently we expect the purchases on our B2B platform to be higher in the fourth quarter of each year compared to the first three. However, due to our limited operating history, the seasonal trends that we experience in the future may not match our expectations.

Intellectual Property

We regard our trademarks, copyrights, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright and trademark law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of December 31, 2018, we owned 14 computer software copyrights in China relating to various aspects of our operations. We had 123 trademark applications inside China and six outside China. As of December 31, 2018, we had registered five generic top-level domain names. Our registered domain names include www.ccjoin.com and www.ccjmu.com, among others.

Regulation

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China.

Regulations Relating to Foreign Investment

Industry Catalogue Relating to Foreign Investment. Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, which was promulgated and is amended from time to time by the Ministry of Commerce and the National Development and Reform Commission. Industries listed in the Catalogue are divided into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalogue are generally deemed as constituting a fourth “permitted” category. Establishment of wholly foreign-owned enterprises is generally allowed in encouraged and permitted industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are subject to higher-level government approvals. Foreign investors are not allowed to invest in industries in the prohibited category. Industries not listed in the Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations.

Through Our WFOEs and Our VIEs, we are engaged in certain industries that are classified as “restricted” under the Catalogue. Pursuant to the latest Catalogue amended in June 2017, the provision of value-added telecommunications services falls in the restricted category and the percentage of foreign ownership cannot exceed 50% (excluding e-commerce), the purchase of grains, wholesale of grains and cotton fall in the restricted category. We engage in the online wholesale and retail of products (except the grains and cotton), the development of computer network technology, technical consultancy and technical services, which are in the permitted category. Under PRC law, the establishment of a wholly foreign owned enterprise is subject to the approval of, or the requirement for record filing with, the Ministry of Commerce or its local counterparts and the wholly foreign owned enterprise must register with the competent industry and commerce bureau. We have duly obtained the approvals from the Ministry of Commerce or its local counterparts for our interest in our wholly owned PRC subsidiaries and completed the registration of these PRC subsidiaries with the competent industry and commerce bureau.

The Ministry of Commerce issued the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises, as amended in June 2018. Pursuant to FIE Record-filing Interim Measures, the establishment and change of foreign-invested enterprises are subject to record-filing procedures, instead of prior approval requirements, provided that the establishment or change does not involve special entry administration measures. If the establishment or change of FIE matters involves the special entry administration measures, the approval of the Ministry of Commerce or its local counterparts is still required. Pursuant to the Announcement [2016] No. 22 of the National Development and Reform Commission and the Ministry of Commerce dated October 8, 2016, the special entry administration measures for foreign investment apply to restricted and prohibited categories specified in the Catalogue, and the encouraged categories are subject to certain requirements relating to equity ownership and senior management under the special entry administration measures.

Foreign Investment in Value-Added Telecommunications Businesses. The Regulations for Administration of Foreign-invested Telecommunications Enterprises promulgated by the PRC State Council in December 2001 and subsequently amended in September 2008 and February 2016 set forth detailed requirements with respect to capitalization, investor qualifications and application procedures in connection with the establishment of a foreign-invested telecommunications enterprise. These regulations prohibit a foreign entity from owning more than 50% of the total equity interest in any value-added telecommunications service business in China and require the major foreign investor in any value-added telecommunications service business in China have a good and profitable record and operating experience in this industry. Due to these regulations, we operate our website www.ccjoin.com through Zhongmin.

In July 2006, the Ministry of Information Industry, the predecessor of the Ministry of Industry and Information Technology, or the MIIT, issued the Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Business, pursuant to which a domestic PRC company that holds an operating license for value-added telecommunications business, which we refer to as an ICP License, is prohibited from leasing, transferring or selling the ICP License to foreign investors in any form and from providing any assistance, including resources, sites or facilities, to foreign investors that conduct a value-added telecommunications business illegally in China. Further, the domain names and registered trademarks used by an operating company providing value-added telecommunications services must be legally owned by that company or its shareholders. In addition, the company’s operational premises and equipment must comply with the approved coverage region on its ICP License, and the company must establish and improve its internal internet and information security policies and standards and emergency management procedures. If an ICP License holder fails to comply with the requirements and also fails to remedy such non-compliance within a specified period of time, the MIIT or its local counterparts have the discretion to take administrative measures against the license holder, including revoking its ICP license. Zhongmin, the operator of our website, owns the relevant domain names and registered trademarks and has the necessary personnel to operate the website.

Licenses and Permits

We are required to hold a variety of licenses and permits in connection with various aspects of our business, including the following:

Value-added Telecommunication License. The Telecommunications Regulations promulgated by the State Council and its related implementation rules, including the Catalogue of Classification of Telecommunications Business issued by the MIIT, categorize various types of telecommunications and telecommunications-related activities into basic or value-added telecommunications services, and internet information services, or ICP services, are classified as value-added telecommunications businesses. Under the Telecommunications Regulations, commercial operators of value-added telecommunications services must first obtain an ICP License from the MIIT or its provincial level counterparts. In 2000, the State Council also issued the Administrative Measures on Internet Information Services, which was amended in 2011. According to these measures, a commercial ICP service operator must obtain an ICP License from the relevant government authorities before engaging in any commercial ICP service in China. When the ICP service involves areas of news, publication, education, medical treatment, health, pharmaceuticals and medical equipment, and if required by law or relevant regulations, specific approval from the respective regulatory authorities must be obtained prior to applying for the ICP License from the MIIT or its provincial level counterpart. In 2009, the MIIT promulgated the Administrative Measures on Telecommunications Business Operating Licenses, which, as amended in 2017, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Zhongmin, as our ICP operator, holds an ICP License issued by the Shanghai Telecommunications Administration for the provision of information services through the internet and also a value-added telecommunication license issued by the MIIT for the provision of information services through a mobile network, the provision of internet data center services, internet access services, and online data processing and transaction processing services.

Food Distribution Permit. China has adopted a licensing system for food supply operations under the Food Safety Law and its implementation rules. Entities or individuals that intend to engage in food production, food distribution or food service businesses must obtain licenses or permits for such businesses. Pursuant to the Administrative Measures on Food Distribution Licensing issued and amended by the SFDA in August 2015 and November 2017, an enterprise needs to obtain a Food Distribution Permit from the local food and drug administration, and the permits already obtained by food business operators prior to the effective date of these new measures will remain valid for their originally approved validity period. We sell food and nutritional supplements through our website. Zhongmin has obtained Food Distribution Permits.

License or Registration for Wholesale and Retail of Liquor. Certain provinces in the PRC have adopted a licensing system for the wholesale or retail of liquor. For example, the Regulation of Shanghai Municipality on Alcoholic Goods Production and Operation, issued by the Standing Committee of Shanghai Municipal People's Congress, which was amended in September 2010, stipulates that any entity engaged in the production, wholesale or retail of liquor within the area of Shanghai municipality is subject to a licensing system. We sell liquor through our website. Our VIE has obtained the license for engaging in the wholesale or retail of liquor.

Regulations Relating to E-Commerce

China's e-commerce industry is at a relatively early stage of development and there are few PRC laws or regulations specifically regulating the e-commerce industry. In May 2010, the State Administration of Industry and Commerce adopted the Interim Measures for the Administration of Online Commodities Trading and Relevant Services, which took effect in July 2010. Under these measures, enterprises or other operators which engage in online commodities trading and other services and have been registered with the State Administration of Industry and Commerce or its local branches must make the information stated in their business license available to the public or provide a link to their business license on their website. Online distributors must adopt measures to ensure safe online transactions, protect online shoppers' rights and prevent the sale of counterfeit goods. Information on products and transactions released by online distributors must be authentic, accurate, complete and sufficient.

In January 2014, the State Administration of Industry and Commerce promulgated the Administrative Measures for Online Trading, which terminated the above interim measures and became effective in March 2014. The Administrative Measures for Online Trading further strengthen the protection of consumers and impose more stringent requirements and obligations on online business operators and third-party online marketplace operators. For example, online business operators are required to issue invoices to consumers for online products and services. Consumers are generally entitled to return products purchased from online business operators within seven days upon receipt, without giving any reason. Online business operators and third-party online marketplace operators are prohibited from collecting any information on consumers and business operators, or disclosing, selling or providing any such information to any third-party, or sending commercial electronic messages to consumers, without their consent. Fictitious transactions, deletion of adverse comments and technical attacks on competitors' websites are prohibited as well. In addition, third-party online marketplace operators are required to examine and verify the identifications of the online business operators and set up and keep relevant records for at least two years. Moreover, any third-party online marketplace operator that simultaneously engages in online trading for products and services should clearly distinguish itself from other online business operators on the marketplace platform. We are subject to these measures as a result of our online direct sales and online marketplace.

In addition, The PRC E-Commerce Law, which was issued on August 31, 2018 and came into effect on January 1, 2019, imposes further obligations on the e-commerce business, such as protecting consumer rights and interests, protecting the environment, protecting intellectual property rights, protecting cybersecurity and individual information, assuming responsibility for the quality of products or services, and accepting the supervision by the government and the public.

Regulations Relating to Internet Content and Information Security

The Administrative Measures on Internet Information Services specify that internet information services regarding news, publications, education, medical and health care, pharmacy and medical appliances, among other things, are to be examined, approved and regulated by the relevant authorities. Internet information providers are prohibited from providing services beyond those included in the scope of their ICP licenses or filings. Furthermore, these measures clearly specify a list of prohibited content. Internet information providers are prohibited from producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes the lawful rights and interests of others. Internet information providers that violate the prohibition may face criminal charges or administrative sanctions by the PRC authorities. Internet information providers must monitor and control the information posted on their websites. If any prohibited content is found, they must remove the offending content immediately, keep a record of it and report to the relevant authorities.

Internet information in China is also regulated and restricted from a national security standpoint. The National People's Congress, China's national legislative body, has enacted the Decisions on Maintaining Internet Security, which may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The Ministry of Public Security has promulgated measures that prohibit use of the internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content.

Regulations Relating to Internet Privacy

In recent years, PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. The Administrative Measures on Internet Information Services prohibit ICP service operators from insulting or slandering a third-party or infringing upon the lawful rights and interests of a third-party. Under the Several Provisions on Regulating the Market Order of Internet Information Services, issued by the MIIT in 2011, an ICP operator may not collect any user personal information or provide any such information to third parties without the consent of a user. An ICP service operator must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An ICP service operator is also required to properly keep the user personal information, and in case of any leak or likely leak of the user personal information, the ICP service operator must take immediate remedial measures and, in severe circumstances, to make an immediate report to the telecommunications regulatory authority. In addition, pursuant to the Decision on Strengthening the Protection of Online Information issued by the Standing Committee of the National People's Congress in December 2012 and the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT in July 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An ICP service operator must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying of any such information, or selling or proving such information to other parties. Any violation of the above decision or order may subject the ICP service operator to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities. Furthermore, in June 2016, the State Internet Information Office issued the Administrative Provisions on Mobile Internet Applications Information Services, which became effective on August 1, 2016, to further strengthen the regulation of the mobile application information services. Pursuant to these provisions, owners or operators of mobile internet applications that provide information services are required to be responsible for information security management, establish and improve the protective mechanism for user information, observe the principles of legality, rightfulness and necessity, and expressly state the purpose, method and scope of, and obtain user consent to, the collection and use of users' personal information. In addition, the new Cyber Security Law, which became effective on June 1, 2017, also requires network operators to strictly keep confidential users' personal information that they have collected and to establish and improve user information protective mechanism. We have required our users to consent to our collecting and using their personal information, and established information security systems to protect user's privacy.

Regulations Relating to Product Quality and Consumer Protection

The Product Quality Law applies to all production and sale activities in China. Pursuant to this law, products offered for sale must satisfy relevant quality and safety standards. Enterprises may not produce or sell counterfeit products in any fashion, including forging brand labels or giving false information regarding a product's manufacturer. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes physical injury to a person or damage to another person's property, the victim may claim compensation from the manufacturer or from the seller of the product. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer. Similarly, if the manufacturer pays compensation and it is the seller that should bear the liability, the manufacturer has a right of recourse against the seller.

The Consumer Protection Law sets out the obligations of business operators and the rights and interests of the consumers in China. Pursuant to this law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacement of commodities, repairing, ceasing damages, compensation, and restoring reputation, and even subject the business operators or the responsible individuals to criminal penalties when personal damages are involved or if the circumstances are severe. The Consumer Protection Law was further amended in October 2013 and became effective in March 2014. The amended Consumer Protection Law further strengthen the protection of consumers and impose more stringent requirements and obligations on business operators, especially on the business operators through the internet. For example, the consumers are entitled to return the goods (except for certain specific goods) within seven days upon receipt without any reasons when they purchase the goods from business operators on the internet. The consumers whose interests have been damaged due to their purchase of goods or acceptance of services on online marketplace platforms may claim damages from sellers or service providers. Where the providers of the online marketplace platforms are unable to provide the real names, addresses and valid contact details of the sellers or service providers, the consumers may also claim damages from the providers of the online marketplace platforms. Providers of online marketplace platforms that know or should have known that sellers or service providers use their platforms to infringe upon the legitimate rights and interests of consumers but fail to take necessary measures must bear joint and several liabilities with the sellers or service providers. Moreover, if business operators deceive consumers or knowingly sell substandard or defective products, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services.

The Provisional Measures for 7-day Unconditional Return of Online Purchased Goods came effective on May 15, 2017, which provides detailed regulations on and ensures the implementation of the rules of "7-day Unconditional Return of Purchased Goods" provided for in the Consumer Protection Law to protect the legitimate rights and interests of consumers. Pursuant to this regulation, online goods sellers shall lawfully perform their duties of "7-day Unconditional Return of Purchased Goods," and the online trading platforms shall guide and urge the online goods sellers who use the platform to perform the duties of "7-day Unconditional Return of Purchased Goods," conduct supervisions and inspections, and provide technical support. This measure also encourages online goods sellers to make a commitment of "unconditional return policy" that are more favorable to consumers than the Measures' requirements. Fresh or perishable goods are inapplicable to the return policy. The online goods sellers who refuse the returning of goods in violation of the provisions, shall, in addition to bearing the corresponding civil liability, be ordered by the administration for industry and commerce or other relevant administrative authorities to make correction, and may be subject to warning and/or confiscation of illegal income, a fine ranging from one to 10 times the amount of illegal income based on the circumstances, where there is no illegal income, a fine of not more than RMB500,000; in serious cases, the business operator shall be ordered to suspend business operation for correction and its business license shall be revoked.

We are subject to the Product Quality Law, the Consumer Protection Law and the Provisional Measures for 7-day Unconditional Return of Online Purchased Goods as an online supplier of commodities and a provider of online marketplace platform and believe that we are currently in compliance with these regulations in all material aspects.

Regulations Relating to Pricing

In China, the prices of a very small number of products and services are guided or fixed by the government. According to the Pricing Law, business operators must, as required by the government departments in charge of pricing, mark the prices explicitly and indicate the name, origin of production, specifications, and other related particulars clearly. Business operators may not sell products at a premium or charge any fees that are not explicitly indicated. Business operators must not commit the specified unlawful pricing activities, such as colluding with others to manipulate the market price, using false or misleading prices to deceive consumers to transact, or conducting price discrimination against other business operators. Failure to comply with the Pricing Law may subject business operators to administrative sanctions such as warning, ceasing unlawful activities, compensation, confiscating illegal gains, fines. The business operators may be ordered to suspend business for rectification, or have their business licenses revoked if the circumstances are severe. We are subject to the Pricing Law as an online retailer and believe that our pricing activities are currently in compliance with the law in all material aspects.

Regulations Relating to Leasing

Pursuant to the Law on Administration of Urban Real Estate, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are also required to register the lease with the real estate administration department. If the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines.

According to the PRC Contract Law, the lessee may sublease the leased premises to a third-party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the lessor transfers the premises, the lease contract between the lessee and the lessor will still remain valid.

Pursuant to the PRC Property Law, if a mortgagor leases the mortgaged property before the mortgage contract is executed, the previously established leasehold interest will not be affected by the subsequent mortgage; and where a mortgagor leases the mortgaged property after the creation and registration of the mortgage interest, the leasehold interest will be subordinated to the registered mortgage.

Regulations Relating to Intellectual Property Rights

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

Copyright. Pursuant to the Copyright Law and its implementation rules, creators of protected works enjoy personal and property rights, including, among others, the right of disseminating the works through information networks. Pursuant to the relevant PRC regulations, rules and interpretations, internet service providers will be jointly liable with the infringer if they (a) participate in, assist in or abet infringing activities committed by any other person through the internet, (b) are or should be aware of the infringing activities committed by their website users through the internet, or (c) fail to remove infringing content or take other action to eliminate infringing consequences after receiving a warning with evidence of such infringing activities from the copyright holder. In addition, where an ICP service operator is clearly aware of the infringement of certain content against another's copyright through the internet, or fails to take measures to remove relevant contents upon receipt of the copyright owner's notice, and as a result, it damages the public interest, the ICP service operator could be ordered to stop the tortious act and be subject to other administrative penalties such as confiscation of illegal income and fines. To comply with these laws and regulations, we have implemented internal procedures to monitor and review the content we have licensed from content providers before they are released on our website and remove any infringing content promptly after we receive notice of infringement from the legitimate rights holder.

Trademark. The Trademark Law and its implementation rules protect registered trademarks. The PRC Trademark Office of State Administration of Industry and Commerce is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. As of December 31, 2018, we had approximately 23 trademark applications in China.

Domain Name. Domain names are protected under the Administrative Measures on the Internet Domain Names promulgated by the MIIT on November 1, 2017. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the CNNIC is responsible for the daily administration of .cn domain names and Chinese domain names. CNNIC adopts the "first to file" principle with respect to the registration of domain names. We have registered *www.ccjoin.com* and other domain names.

On November 27, 2017, the MIIT issued the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services. Pursuant to this notice, internet access service providers shall, via the Record-filing System, regularly check the use of domain names by Internet-based information service providers, and shall, in the case that a domain name does not exist or is expired or has no real identity information, cease the provision of access services for the Internet-based information service provider concerned. Therefore, we have to extend the expiration of the *www.ccjoin.com* and other domain names to avoid to be ceased to the access services,

Regulations Relating to Employment

The Labor Contract Law and its implementation rules provide requirements concerning employment contracts between an employer and its employees. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations, which significantly affects the cost of reducing workforce for employers. In addition, if an employer intends to enforce a non-compete provision with an employee in an employment contract or non-competition agreement, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or ending of the labor contract. Employers in most cases are also required to provide a severance payment to their employees after their employment relationships are terminated.

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. According to the Regulations on Management of Housing Fund, an enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement. We have not made adequate contributions to employee benefit plans, as required by applicable PRC laws and regulations.

Regulations Relating to Dividend Withholding Tax

Pursuant to the Enterprise Income Tax Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to enjoy the reduced withholding tax: (i) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Furthermore, the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties (For Trial Implementation), which became effective in October 2009, require that non-resident enterprises must obtain approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. In November 2015, the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties became effective and repealed the Trial Implementation. Pursuant to the new Measures, non-resident taxpayers who satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, instead of being subject to approvals, and be subject to follow-up administration by the tax authorities.

Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission, and the Ministry of Commerce on the Applicable Scope of the Policy of Temporary Exemption of Withholding Taxes on the Direct Investment Made by Overseas Investors with Distributed Profits, or Circular 102, which became effective in January 2018, where an overseas investor uses profits distributed by a resident enterprise in China for direct investment in an encouraged investment project, deferred tax payment policy shall apply if the stipulated criteria is satisfied, and withholding of income tax shall be waived in the interim.

Accordingly, Join Me Group (HK) Investment Company Limited may be able to enjoy the 5% withholding tax rate for the dividends it receives from Shanghai Zhongming, if it satisfies the conditions prescribed under Circular 81 and other relevant tax rules and regulations, and the approvals are no longer needed. Furthermore, if it satisfies the criteria of Circular 102, the withholding of income tax may be waived in the interim. However, according to Circular 81, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

Regulations Relating to Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans.

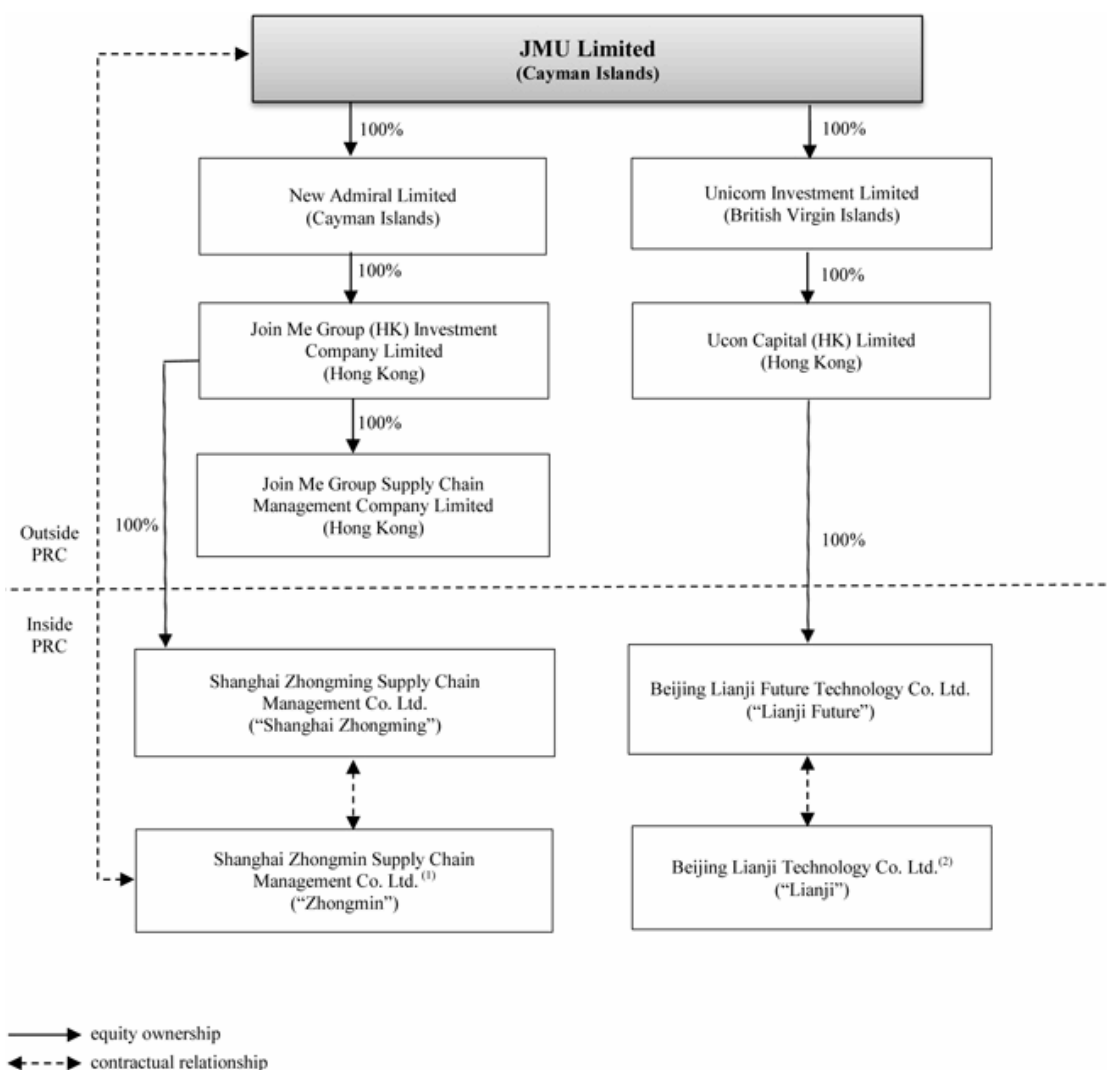
In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular No. 142, regulating the conversion by a foreign-invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular No. 142 provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC. SAFE also strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of foreign-invested enterprises. The use of such RMB capital may not be changed without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. In March 2015, SAFE issued SAFE Circular No.19, which took effect and replaced SAFE Circular No. 142 from June 1, 2015. Although SAFE Circular No.19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC, the restrictions continue to apply as to foreign-invested enterprises' use of the converted RMB for purposes beyond the business scope, for entrusted loans or for inter-company RMB loans.

In November 2012, SAFE promulgated the Circular on Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, and amended it in May 2015, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts (e.g. pre-establishment expenses account, foreign exchange capital account, guarantee account), the reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment), and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer require SAFE approval, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible before. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

In February 2015, SAFE promulgated the Circular on Further Simplifying and Improving the Policies Concerning Foreign Exchange Control on Direct Investment, or SAFE Circular No. 13, which took effect on June 1, 2015. SAFE Circular No. 13 delegates the authority to enforce the foreign exchange registration in connection with the inbound and outbound direct investment under relevant SAFE rules to certain banks and therefore further simplifies the foreign exchange registration procedures for inbound and outbound direct investment.

C. Organizational Structure.

The following diagram illustrates our corporate structure as of the date of this annual report.



(1) The shareholder of Zhongmin is Shanghai Zhongmin Investment and Development Group Co., Ltd. (formerly known as Shanghai Zhongmin Investment and Development Co., Ltd.), or Zhongmin Investment, whose shareholders includes Ms. Xiaoxia Zhu, our chairperson and chief executive officer, Ms. Huimin Wang, our director and Mr. Feng Pan, our director, holding 48.75%, 48.75% and 2.5% equity interests of Zhongmin Investment, respectively.

(2) The shareholders of Lianji are Ms. Hong Zhou and Mr. Longming Wu, holding 1.0% and 99.0% equity interests of Lianji, respectively.

Contractual Arrangements with Zhongmin and its shareholder

Foreign investment in internet companies is currently subject to significant restrictions under PRC laws and regulations. As a Cayman Islands holding company, we do not qualify to conduct these businesses under PRC regulations. In addition, foreign investment in the online service industry requires the foreign investor to possess certain qualifications, which we do not have, and our PRC subsidiary, Shanghai Zhongming, is considered a foreign-invested enterprise which is restricted from holding the licenses that are essential to the operation of our business, such as licenses for operating our website. As a result, Shanghai Zhongming has entered into a series of contractual arrangements with Zhongmin and its shareholder described below, through which we exercise effective control over the operations of Zhongmin and its subsidiaries. We conduct a part of our operations in China through Zhongmin and its subsidiaries, which we treated as our consolidated affiliated entities in China. Each of the contractual arrangements between Shanghai Zhongming, Zhongmin and its shareholder was executed in May 2015. These contractual arrangements enable us to exercise effective control over these entities and receive substantially all of the economic benefits from them.

Agreements that Transfers Economic Benefits and Risks to Us

Master Exclusive Service Agreement and Business Cooperation Agreement. Pursuant to the Master Exclusive Service Agreement and Business Cooperation Agreement, Zhongmin and its shareholder, including its subsidiaries or any companies or entities under its control, agrees to engage Shanghai Zhongming as its provider for technical and business support services. Zhongmin and its shareholders will pay Shanghai Zhongming service fees determined based on the audited consolidated net profit of Zhongmin. Shanghai Zhongming will exclusively own any intellectual property arising from the performance of the services set forth in the agreement. Shanghai Zhongming will provide financial support to Zhongmin and its shareholder in the form of bank loans or

others forms as permitted under the PRC laws. The service agreements will remain effective upon the written confirmation issued by Shanghai Zhongming to Zhongmin and its shareholder and/or its shareholder 30 days before the termination. Neither Zhongmin nor its shareholder has the right to unilaterally terminate the agreement.

In connection with the master service agreement, we also entered into financial support undertaking letter with Zhongmin and agrees to provide unlimited financial support to the Zhongmin and its shareholder, to the extent permissible under the applicable PRC laws and regulations, whether or not any such operational loss is actually incurred. We will not request repayment of the loans or borrowings if the Zhongmin or its shareholder do not have sufficient funds or are otherwise unable to repay.

Agreements that Provide Us with Effective Control over Zhongmin

Proxy Agreement and Power of Attorney. Zhongmin's shareholder has signed an Irrevocable Proxy Agreement and Power of Attorney to appoint Shanghai Zhongming, or its designee, as the attorney-in-fact to act on Zhongmin's shareholder's behalf on all rights that the shareholder has in respect of such shareholder's equity interest in Zhongmin conferred by relevant laws and regulations and the articles of association of Zhongmin. The rights include but not limited to attending shareholders meeting, exercising voting rights and transferring all or a part of the equity interests of Zhongmin held by the shareholder. The proxy and power of attorney will remain effective upon written confirmation issued by Shanghai Zhongming to Zhongmin and its shareholder 30 days before the termination. Neither Zhongmin nor its Shareholder has the right to unilaterally terminate the agreement.

Exclusive Option Agreement. Zhongmin's shareholder has entered into an Exclusive Option Agreement with Shanghai Zhongming, pursuant to which Shanghai Zhongming has an exclusive option to purchase, or to designate other persons to purchase, to the extent permitted by applicable PRC laws, rules and regulations, all of the equity interest in Zhongmin from the shareholder. The purchase price for the entire equity interest is to be the minimum price permitted by applicable PRC laws and administrative regulations. If there is no minimum price under PRC laws or administrative regulations, the price shall be determined by the Our WFOE or on a basis of the registered capital of Zhongmin. The term of the exclusive option agreement will remain effective upon written confirmation issued by the Shanghai Zhongming to Zhongmin and its shareholder 30 days before the termination. Neither Zhongmin nor its shareholder has the right to unilaterally terminate the agreement.

Equity Interest Pledge Agreement. Zhongmin's shareholder has entered into an equity pledge agreement with the Shanghai Zhongming, under which the shareholder pledged all of the equity interests in Zhongmin to Shanghai Zhongming as collateral to secure performance of all obligations under the Master Exclusive Service Agreement, Business Cooperation Agreement, Proxy Agreement and Power of Attorney and the Exclusive Option Agreement (collectively, the "Principal Agreement"). Pursuant to this Equity Interest Pledge Agreement, dividends generated by the pledged equity interests shall be deposited into the account designated by the Shanghai Zhongming and shall be used to pay the secured indebtedness prior and in preference to any other payment during the term of the pledge. If any event of default incurred under the Principal Agreement, Shanghai Zhongming, as the pledgee, will be entitled to dispose of the pledged equity interests and shall be paid in priority with the proceeds recovered from the disposal.

Contractual Arrangements with Lianji and its shareholders

Following our acquisition of Unicorn in May 2019, we gained effective control over and received substantially all the economic benefits from Lianji through a series of contractual arrangements among our wholly-owned subsidiary Lianji Future, Lianji and its shareholders.

Agreements that Transfers Economic Benefits and Risks to Us

Exclusive Business Operation Agreement. Lianji Future and Lainji have entered into an exclusive business operation agreement, pursuant to which Lianji Future has the exclusive right to provide Lianji with technology development and application services. Without Lianji Future's written consent, Lianji shall not accept any technology development and application services covered by this agreement from any third party. Lianji agrees to pay comprehensive service charges on an annual basis and up to the full balance of Lianji's total income after deduction of its costs and expenses. In addition, Lainji undertakes that without Lianji Future's prior written consent, Lainji shall not enter into any transactions that may have material effect on Lainji's assets, obligations, rights or business operations. Unless otherwise agreed by the parties, this agreement will remain effective until Lianji Future ceases business operations.

Agreements that Provide Us with Effective Control over Lainji

Powers of Attorney. Each shareholder of Lainji has issued a power of attorney, irrevocably appointing Lianji Future, as such shareholder's attorney-in-fact to exercise all shareholder rights, including, but not limited to, the right to call shareholders' meeting, the right to vote on all matters of Lainji that require shareholder approval, and the right to dispose of all or part of the shareholder's equity interest in Lainji, on behalf of such shareholder. Other than the foregoing circumstances, the power of attorney will remain in force until the termination of the business operation agreement and during its effective term, shall not be amended or terminated without the consent of Lianji Future.

Exclusive Option Agreement. Lianji Future, Lainji and each of Lainji's shareholders have entered into an option agreement, pursuant to which Lainji's shareholder has irrevocably granted Lianji Future an exclusive option, to the extent permitted by PRC law, to purchase, or have its designated person or persons to purchase, at its discretion all or part of the shareholder's equity interests in Lainji or all or part of Lainji's assets. The purchase price shall be a nominal price unless where PRC laws and regulations require valuation of the equity interests or the assets, or promulgates other restrictions on the purchase price, or otherwise prohibits purchasing the equity interests or the assets at a nominal price. If the PRC laws and regulations prohibit purchasing the equity interests or the assets at a nominal price, the purchase price shall be equal to the original investment of the equity interests made by such shareholders or the book value of the assets. Where PRC laws and regulations require valuation of the equity interests or the assets or promulgates other restrictions on the purchase price, the purchase price shall be the minimum price permitted under PRC laws and regulations. However, if the minimum price permitted under PRC laws and regulations exceed the original investment of the equity interests or the book value of the assets, Lainji shall reimburse Lianji Future the exceed amount after deducting all taxes and fees paid under PRC laws and regulations. The shareholders of Lainji undertake, among other things, that without Lianji Future's prior written consent, they shall not take any actions that may have material effect on Lainji's assets, businesses and liabilities, nor shall they appoint or replace any directors, supervisors and officers of Lainji. These agreements have terms of ten years, which may be extended upon Lianji Future's written confirmation prior to the expiry.

Equity Interest Pledge Agreement. Each shareholder of Lainji has entered into an equity interest pledge agreement with Lianji Future and Lainji, pursuant to which, the shareholder has pledged all of his or her equity interest in Lainji to Lianji Future to guarantee the performance by Lainji and its shareholders of their obligations under the master agreements, which include the business operation agreement the power of attorney and the exclusive option agreement. Each shareholder of Lainji agrees that, during the term of the equity interest pledge agreement, he or she will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests without the prior written consent of Lianji Future. The equity interest pledge agreement remain effective until Lainji and its shareholders discharge all of their obligations under the master agreements.

We have been advised by our PRC legal counsel, Beijing Dacheng Law Offices, LLP, that the ownership structure and the contractual arrangements among Our WFOEs, Our VIEs and their respective shareholders will not result in any violation of PRC laws or regulations currently in effect. However, we have been further advised by our PRC legal counsel that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to or

otherwise different from the above opinion of our PRC legal counsel. Our PRC legal counsel has further advised that if the PRC government authority finds that our corporate structure, the contractual arrangements or the reorganization to establish our current corporate structure do not comply with any applicable PRC laws, rules or regulations, the contractual arrangements will become invalid or unenforceable, and we could be subject to severe penalties including being prohibited from continuing operations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure— If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC governmental restrictions on foreign investment in internet business, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could have an adverse effect on us.”

D. Property, plants and equipment.

Our executive offices are located at 2/F, No. 608, Macau Road, Putuo District, Shanghai 200060, People's Republic of China and occupy a total of 200,500 square meters. The lease of our headquarter office has a term of two years.

The servers that we use to provide our products and services are primarily maintained at China Telecom and China Unicom branches in cities across China, including Shanghai and Kunshan.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating results.

Overview

We currently operate an online platform for providing B2B services to food-industry suppliers and customers in China. We acquired this business in an acquisition with JMU HK in June 2015. Our B2B online platform recorded gross billing of RMB7.7 billion (US\$1.1 billion) in 2018, measured in terms of the gross merchandise value.

We incurred losses from operations of US\$27.6 million, US\$168.4 million and US\$124.4 million for the years ended December 31, 2016, 2017 and 2018, respectively.

Factors Affecting Our Results of Operations

Besides the operating metrics that directly affect our revenues, there are a number of factors that affect our results of operations, including:

Continued growth of China's economy and food service industry in general. Our results of operations and financial condition are affected by the general factors driving China's food industry, including levels of procurement spending by restaurants in China. In addition, they are also affected by factors driving online B2B business in China, such as the adoption of online procurement strategies by restaurants or adoption of online sales strategies by suppliers, the availability of improved delivery services and the increasing variety of payment options. Our results of operations are also affected by general economic conditions in China. In particular, we have experienced and expect to continue to experience upward pressure on our operating expenses.

Competitive pressure. We operate in a highly competitive market. We compete with a number of other e-commerce service providers that have significant capital and human resources, some of which have also launched initiatives in direct competition with our business. The terms and conditions we offer our suppliers and customers are affected by our competitors' strategies, which, as a result, affect our cost of operation. The competition also has a direct effect on our ability to retain existing customers and attract new customers.

Marketing expense. We engage in a variety of different online marketing efforts tailored to our targeted customers and suppliers to expand our customer and supplier base. Expenses incurred for marketing and other promotional efforts may have a negative impact on our profitability, if they prove to be ineffective and do not expand our customer base as intended.

Seasonality. We believe that we experience seasonality in our business that reflects seasonal fluctuations in purchase patterns for food services businesses. In general, the fourth quarter is the high season for the food service industry in China, and consequently we expect the purchases on our B2B platform to be higher in the fourth quarter of each year compared to the first three. However, due to our limited operating history, the seasonal trends that we experience in the future may not match our expectations.

While our business is influenced by general factors affecting our industry, our operating results are more directly affected by company specific factors, including the following major factors:

- our ability to increase customer accounts and orders from customers;
- our ability to manage our mix of product and service offerings;
- our ability to further increase and leverage our scale of business.

Our Ability to Increase Customer Accounts and Orders from Customers

Growth in the number of our customer accounts and orders are key drivers of our revenue growth. The B2B business for food service industry that we are currently operating was only started in late 2014, and in 2018 we had more than 10,300 customer accounts. Gross billing on our online B2B platform reached RMB7.7 billion (US\$1.1 billion) in 2018, measured in terms of the gross merchandise value.

Our ability to attract new customer accounts and new orders from existing customer accounts depends on our ability to provide superior customer experience. To this end, we offer a wide selection of products at competitive prices on our website and mobile applications and provide speedy and reliable delivery, convenient payment options and comprehensive customer services. We have benefited from word-of-mouth viral marketing in winning new customers, and we also conduct online and offline marketing and brand promotion activities to attract new customers. In addition, we encourage existing customers to place more orders with us through a variety of means, including loyalty points.

Our Ability to Manage Our Mix of Product Offerings

Our results of operations are also affected by the mix of products we offer. We commenced our B2B business for food service industry with sales to restaurants. We are gradually expanding our offerings to hotel-related products. The extent and mix of products we provided will influence our users' willingness to utilize our online platform for more of their needs. In addition, our mix of products also affects our gross margin, as different products have different gross margins.

Our Ability to Further Increase and Leverage our Scale of Business

Our results of operations are directly affected by our ability to further increase and leverage our scale of business. As our business further grows in scale, we expect to obtain more favorable terms from our suppliers, including pricing terms and volume-based rebates. In addition, we aim to create value for our suppliers by providing an effective channel for selling large volumes of their products online and by offering them comprehensive information on customer preferences and market demand and ensuring the high quality of storage and delivery services. We believe this value proposition also helps us obtain favorable terms from suppliers.

Currently we are selling products in our direct sales business at low margin, and we are not charging any commission or service fees for third-party sellers to use our platform. There is no assurance that we can keep the expansion of our B2B business at the current pace after we start to apply higher margins to transactions in our direct sale business and charge commission or service fees to third-party sellers. Our ability to leverage our scale of business to induce our platform users to continue using our services with margins and service charges is one key factor affecting our future operational and financial performance.

Revenues

We derive our revenues from direct sales and online platform services. We record revenue from online direct sales on a gross basis and revenue from the online platform services that we provide to third-party sellers and purchasers for their transactions on a net basis. Revenue is recorded net of surcharges and value-added tax, or VAT, and related surcharges.

Our revenues were US\$73.2 million, US\$88.7 million and US\$36.5 million for the years ended December 31, 2016, 2017 and 2018, respectively.

Cost of Revenues

Our cost of revenues are direct and indirect costs incurred to generate revenues, and acquiring the products that we sell directly and the overhead expenses incurred for IT personnel, as well as inventory write-downs. The rebates and subsidies we receive from suppliers are accounted as a reduction to the purchase price and will be recorded as a reduction of cost of revenues when the product is sold.

Our cost of revenues was US\$72.9 million, US\$88.2 million and US\$35.6 million for the years ended December 31, 2016, 2017 and 2018, respectively.

Operating Expenses

The following table sets forth our operating expenses by the amount and as a percentage of total operating expenses for the periods indicated:

	For the Year Ended December 31,					
	2016		2017		2018	
	US\$	%	US\$	%	US\$	%
Operating Expenses						
Selling and marketing	20,405,602	73.0	15,206,658	9.0	5,792,802	4.6
General and administrative	7,530,851	27.0	6,696,601	4.0	4,303,062	3.4
Impairment loss	—	0.0	147,018,425	87.0	115,178,704	91.9
Total operating expenses	27,936,453	100	168,921,684	100	125,274,568	100

Our operating expenses consist of selling and marketing expenses and general and administrative expenses as well as impairment loss. Our total operating expenses were US\$27.9 million, US\$168.9 million and US\$125.3 million for the years ended December 31, 2016, 2017 and 2018, respectively.

Selling and marketing expenses

Our selling and marketing expenses primarily consist of expenses incurred in connection with advertisements and market promotion events, loyalty program, as well as other overhead expenses incurred for our sales and marketing personnel.

Our selling and marketing expenses were US\$20.4 million, US\$15.2 million and US\$5.8 million for the years ended December 31, 2016, 2017 and 2018, respectively.

General and administrative expenses

Our general and administrative expenses primarily consist of:

- salaries and benefits for employees, which are the salaries and benefits for our management, merchant service representatives and general administrative staff;
- share-based compensation to employees, which is the expense incurred in connection with the grant of share options and RSUs to our directors, officers and other employees pursuant to our share incentive plan; and

- office expenses, which consist primarily of office rental, maintenance and utilities expenses, depreciation of office equipment and other office expenses.

Our general and administrative expenses were US\$7.5 million, US\$6.7 million and US\$4.3 million, for the years ended December 31, 2016, 2017 and 2018, respectively.

Impairment loss

Our impairment loss primarily consists of loss recognized in connection of the long-lived assets, goodwill and long-term investment.

Our impairment loss was nil, US\$147.0 million and US\$ 115.2 million, for the years ended December 31, 2016, 2017 and 2018.

Taxation

We are incorporated in the Cayman Islands. Under Cayman Islands law, we are not subject to income or capital gains tax.

Our subsidiary incorporated in the Cayman Islands is not subject to income or capital gains tax in the Cayman Islands, and dividend payments by this subsidiary to us are not subject to withholding tax in the Cayman Islands.

Our subsidiary in Hong Kong is subject to a profit tax at the rate of 16.5% on assessable profit determined under relevant Hong Kong tax regulations. Dividend payments by this subsidiary to us are not subject to withholding tax in Hong Kong.

Our subsidiary and our consolidated variable interest entities in China are subject to value-added tax, or VAT, at rates of 0%, 10%, 11%, 16% or 17%. In addition, they are generally subject to the standard enterprise income tax in China at a rate of 25%.

Under the Enterprise Income Tax Law and its implementation regulations, a 10% PRC income tax is applicable to dividends payable to investors that are “non-resident enterprises,” enterprises that do not have an establishment or place of business in the PRC, to the extent such dividends have their sources within the PRC. Such dividends are also subject to the 10% tax even if the recipient has an establishment or place of business in the PRC if the relevant income is not effectively connected with the establishment or place of business. Under a special arrangement between China and Hong Kong, dividends from our PRC subsidiary paid to our Hong Kong subsidiary, which would otherwise be subject to a 10% withholding tax, may be subject to a 5% preferential withholding tax if our Hong Kong subsidiary can be considered as a “beneficial owner” of our PRC subsidiary and is otherwise entitled to the benefits under the special arrangement. The State Administration for Taxation promulgated the Notice Regarding Interpretation and Recognition of Beneficial Owners under Tax Treaties on October 27, 2009, which provides guidance on the determination of “beneficial owner.” If our Hong Kong subsidiary is not considered to be the “beneficial owner” of our PRC subsidiary under this notice, any dividends paid by our PRC subsidiary to our Hong Kong subsidiary would be subject to withholding tax at a rate of 10%.

If our Cayman Islands holding company or our Hong Kong subsidiary is deemed to be a “resident enterprise” under the Enterprise Income Tax Law, then it is not clear whether or how the PRC tax authorities would apply the PRC tax on dividends payable by our PRC subsidiary to our Hong Kong subsidiary or by our Hong Kong subsidiary to us. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we could be classified as a ‘resident enterprise’ of China. Such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.”

Provision for Income Tax Benefit

We are subject to PRC Enterprise Income Tax Law on taxable income in accordance with the relevant PRC income tax laws. We incurred net losses of US\$25.3 million, US\$161.9 million and US\$123.2 million for the years ended December 31, 2016, 2017 and 2018, respectively. Our provision for income tax benefit were US\$2.2 million, US\$6.9 million and US\$2.1 million for the years ended December 31, 2016, 2017 and 2018, respectively.

Critical Accounting Policies

The preparation of our consolidated financial statements and related notes requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses, and related disclosure of contingent assets and liabilities. We have based our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our management has discussed the development, selection and disclosure of these estimates with our board of directors. Actual results may differ from these estimates under different assumptions or conditions. An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements.

We believe that the following critical accounting policies are the most sensitive and require more significant estimates and assumptions used in the preparation of our consolidated financial statements.

You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Revenue Recognition

We recognize revenue from the sales of rice, flavoring, oil, seafood, wine and other types of generic food and beverage products through our online platform www.ccjoin.com. The website also serves as an online platform to connect third-party vendors and customers. We recognize revenue when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured.

We recognize revenue when the customers confirm the acceptance of the goods once they receive the delivered goods. The sales returns are considered and estimated when the related revenue is recognized.

Revenue is recorded net of surcharges and value-added tax ("VAT") and related surcharges.

We primarily generate revenue from online direct sales and online platform services.

Online direct sales

We primarily sell rice, flavoring, oil, seafood, wine and other products relating to catering and hotel industries through online direct sales. There is a separate channel on our online platform designated for our online direct sales, and we record revenue from online direct sales on a gross basis as we act as the principal in these arrangements: we are the primary obligor in the sales arrangements, have latitude in establishing prices and have discretion in suppliers' selection. On certain transactions, we also retain some of general inventory risk and physical inventory loss risk.

Online platform services

We also provide the online platform services to connect third-party sellers and purchasers for their transactions via our online marketplace. Online platform sales are made from the online stores under the third-party sellers' names, and we record the related revenue on a net basis as we act as the agent in these arrangements: we are not the primary obligor, do not bear inventory risk, and do not have the ability to establish the price or discretion in supplier selection. For the years ended December 31, 2016, 2017 and 2018, revenues related to the online platform services were nil, as we did not charge any service fees to the third-party sellers and purchasers.

Impairment of Goodwill and Long-lived Assets

Goodwill represents the cost of an acquired business in excess of the fair value of tangible and identifiable intangible net assets purchased. We seek the assistance of an independent valuation firm in determining the fair value of the identifiable intangible net assets of the acquired business. We assign all the assets and liabilities of an acquired business, including goodwill, to reporting units.

Some of the significant estimates and assumptions inherent in the discounted cash flow, or DCF method or other methods include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows and the assessment of the asset's economic life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory or economic barriers to entry. Determining the useful life of an intangible asset also requires judgment, as different types of intangible assets will have different useful lives.

Specifically, the income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts developed by us. The financial projections used in deriving the fair values of intangible assets were consistent with our business plan. However, these assumptions were inherently uncertain and highly subjective. These assumptions include: no material changes in the existing political, legal and economic conditions in China; no major changes in the tax rates applicable to our subsidiaries and consolidated affiliated entities in China; our ability to retain competent management, key personnel and staff to support our ongoing operations; and no material deviation in market conditions from economic forecasts.

Goodwill is tested for impairment at least once annually or more frequently if we believe indications of impairment exist. Impairment is tested using a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. We currently have one reporting unit, which recorded goodwill in relation to the acquisition of JMU HK in June 2015.

If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Estimating the fair value of reporting unit is performed by the DCF method.

For the years ended 2013 and 2014 and through the date of completion of the merger with JMU, we had one reporting unit, the group buying business. We estimated that there was no impairment of goodwill as of December 31, 2013 and 2014 as the fair value of the reporting unit exceeded the carrying amount.

After the divestiture of the group buying business, we had one reporting unit, our B2B business for the food service industry. We measure goodwill at fair value on a non-recurring basis when it is annually evaluated or whenever events or changes in circumstances indicate that carrying amount of a reporting unit exceeds its fair value. The fair value was determined using models with significant unobservable input (Level 3 inputs) and the cash flow projections were based on past experience, actual results of operations and management best estimates about future developments as well as certain market assumptions. Goodwill impairment loss of nil, \$127.3 million and \$105.8 million were recognized for the years ended December 31, 2016, 2017 and 2018, respectively.

We estimated the fair values of the intangible assets with the assistance from an independent third-party appraiser. We are ultimately responsible for the determination of all amounts related to the intangible assets recorded in the financial statements.

Acquired intangible assets are amortized over their useful lives. Useful lives are based on our management's estimates of the period that the assets will generate revenue. We amortize intangible assets with determinable useful lives on a straight-line basis. We evaluate intangible assets with determinable useful lives for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. We measure recoverability of long-lived assets to be held and used as part of an asset group by comparing the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If we believe the assets are impaired, the impairment will equal the amount by which the carrying value of the assets exceeds the fair value of the assets.

Considering that we have incurred operating losses, we have determined to perform the annual impairment tests on acquired intangible assets on December 31 of each year. As a result of the annual impairment test, impairment loss of nil, US\$19.8 million, and US\$8.6 million for acquired intangible assets was recognized during the year ended December 31, 2016, 2017 and 2018, respectively. Estimates of fair value involve a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. Our judgments in determining an estimate of fair value can materially impact our results of operations. We base these valuations on information available as of the impairment review date and on expectations and assumptions that management deems reasonable. Any changes in key assumptions, including unanticipated events and circumstances, may affect the accuracy or validity of such estimates and could potentially result in impairment charges.

Income Taxes

We follow the liability method in accounting for income taxes in accordance with ASC topic 740 (“ASC 740”), Income Taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. We record a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized.

We apply the provision of ASC 740 to account for uncertainty in income taxes. ASC 740 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the consolidated financial statements.

We have elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the consolidated statements of operations.

Share-based payments

Share-based payment awards with employees are measured based on the grant date fair value of the equity instrument issued, and recognized as compensation costs using the straight-line method over the requisite service period, which is generally the vesting period of the options, with a corresponding impact reflected in additional paid-in capital. For share-based payment awards with market conditions, such market conditions are included in the determination of the estimated grant-date fair value. In the second quarter of 2017, we elected to early adopt ASU No. 2016-09, *Compensation Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting*, to account for forfeitures as they occur. The cumulative-effect adjustment to accumulated deficits was nil as a result of the adoption of ASU 2016-09.

A change in any of the terms or conditions of share-based payment awards is accounted for as a modification of awards. The Company measures the incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified, based on the share price and other pertinent factors at the modification date. For vested awards, the Company recognizes incremental compensation cost in the period the modification occurred. For unvested awards, the Company recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

Fair Value of Our Ordinary Shares and Share-Based Compensation

Since our initial public offering in April 2015, the determination of the fair value of the ordinary shares has been based on the market price of our ADSs, each representing 18 ordinary shares, traded on the Nasdaq Global Market. In July 2018, we changed the ratio of our ADSs to ordinary shares from one ADS representing 18 ordinary share to one ADS representing 180 ordinary shares.

The following table sets forth certain information regarding the share options granted to our employees at different dates in the past three fiscal years prior to December 31, 2018:

Grant/Re-measurement date	Type of award	Number of awards	Exercise price	Fair value of ordinary share	Intrinsic value	Type of valuation
July 1, 2016	Share option granted to executives	11,633,400	US\$ 0.20	US\$ 0.1196	-	Contemporaneous
July 1, 2016	Share option granted to staffs	20,395,300	US\$ 0.20	US\$ 0.0945	-	Contemporaneous
July 1, 2016	Employee restricted share units	10,430,000	N/A	US\$ 0.1328	US\$ 1,385,202	Contemporaneous

In determining the value of share options to employees, we have used the binomial option-pricing model, with assistance from the independent third-party appraiser. Under this option pricing model, certain assumptions, including risk-free interest rate, the contractual life of the options, the expected dividends on the underlying ordinary shares, the expected volatility of the price of the underlying shares for the contractual life of the options, the post-vesting forfeiture rate and the expected exercise multiple are required in order to determine the fair value of our options. Changes in these assumptions could significantly affect the fair value of share options and hence the amount of compensation expense we recognize in our consolidated financial statements.

In determining the value of ordinary shares to directors and executives, we have considered the fair value of the ordinary share and the expected dividend paid-out ratio. Because we have no plan to pay dividend, the fair value of the share granted to directors and executives is the fair value of the ordinary share.

The key assumptions used in the valuation of the employee share options are summarized in the following table:

	Modification on September 1, 2015	Grants on July 1, 2016	Modification on June 20, 2017
Risk-free rate of return ⁽¹⁾	0.47% - 0.88%	1.46%	1.25%
Contractual life of the options ⁽²⁾	5.0 years	10 years	5.0 years
Volatility ⁽³⁾	60% - 65%	54.78%	41%
Expected dividend yield ⁽⁴⁾	0%	0%	0%
Post-vesting forfeiture rate ⁽⁵⁾	N/A	36.1%	N/A
Exercise multiple ⁽⁶⁾	3x / 2x	3x / 2x	3x / 2x

(1) The risk-free rate of return is based on the yield curve of USD China Sovereign Bonds as of the valuation dates as extracted from Bloomberg.

(2) The contractual life of the options is based on the option grant letter.

(3) The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of listed guideline companies over a period comparable to the contractual life of the options.

(4) We estimate the dividend yield based on our expected dividend policy over the expected term of the options.

(5) The post-vesting forfeiture rate applied to options granted to general staff was based on our historical statistical data. 0% was applied to options granted to executive management with expectation that the executive management will not quit from the company over the contractual life of the options.

(6) Exercise multiple is the ratio of the fair value of a share over the exercise price at the time which the option will be exercised, estimated based on a consideration of research study regarding exercise pattern from historical statistical data. A multiple of three was used for the executive management and a multiple of two was used for general staff.

Loyalty program

In 2016, we launched a customer loyalty program to certain qualified customers, who can earn customer credits from purchases if their annual spending with us exceeds RMB10 million. In 2017, we announced our revised customer loyalty program to certain qualified customers for granting customer credits only if their annual spending with the Group exceeds RMB100 million. The customers can redeem the earned credits for gift merchandise, and we account for such credits by recording a liability and corresponding selling expenses for the estimated incremental cost of outstanding credits earned that are expected to be redeemed. In 2018, we discontinued the customer loyalty program.

During 2016, we negotiated a settlement of earned loyalty credits with 13 of our customers in our ordinary shares. As part of the settlement, we agreed to issue 4.42 million of our ordinary shares, and recognized US\$1,377,503 in paid-in capital and selling expenses based on the grant date fair value of the ordinary shares. We are not legally obligated, nor do we expect, to continue the redemption of the credits for the ordinary shares in the future.

Recent Accounting Pronouncements

Please see Note 3 to our consolidated financial statements included elsewhere in this annual report.

Results of Operations

The following table presents selected financial data from our consolidated statements of operations for the periods indicated.

	For the Year Ended December 31,		
	2016	2017	2018
	(in US\$ thousands)		
<i>Consolidated statements of operations data</i>			
Revenues			
Related parties	10,078	17,485	10,873
Third parties	63,123	71,251	25,582
Cost of revenues	(72,857)	(88,187)	(35,579)
Gross profit	344	549	876
Operating expenses:			
Selling and marketing	(20,405)	(15,207)	(5,792)
General and administrative	(7,531)	(6,697)	(4,303)
Impairment loss	—	(147,018)	(115,179)
Total operating expenses	(27,936)	(168,922)	(125,274)
Loss from operations	(27,592)	(168,373)	(124,398)
Interest income/(expense), net	26	(411)	(907)
Other income/(expense), net	39	28	(33)
Loss before provision for income tax	(27,527)	(168,756)	(125,338)
Income tax benefits	2,234	6,857	2,098
Loss from continuing operations	(25,293)	(161,899)	(123,240)
Discontinued operations:			
Income from discontinued operations	—	—	—
Provision for income tax benefits	—	—	—
Income from discontinued operations, net of tax	—	—	—
Net loss	(25,293)	(161,899)	(123,240)

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenues

Our revenues decreased by 58.9% from US\$88.7 million for the year ended December 31, 2017 to US\$36.5 million for the year ended December 31, 2018. This decrease was primarily due to the businesses suspension we carried out in 2018 where we suspended the businesses that were strategically misaligned and ceased to provide products with lower gross profit.

Cost of revenues

Our cost of revenues decreased by 59.6% from US\$88.2 million for the year ended December 31, 2017 to US\$35.6 million for the year ended December 31, 2018, which was generally in line with the decrease in revenue.

Operating expenses

Our total operating expenses decreased by 25.8% from US\$168.9 million for the year ended December 31, 2017 to US\$125.3 million for the year ended December 31, 2018. This change was primarily because the decrease in the selling and marketing expenses from US\$15.2 million in 2017 to US\$5.8 million in 2018 as well as the decrease in the general and administrative expenses from US\$6.7 million in 2017 to US\$4.3 million in 2018.

Selling and marketing expenses. Our selling and marketing expenses decreased by 61.8% from US\$15.2 million for the year ended December 31, 2017 to US\$5.8 million for the year ended December 31, 2018. The decrease was mainly due to the decrease in the advertising and promotional expenses, including expenses on advertisements through various media and marketing and promotional activities.

General and administrative expenses. Our general and administrative expenses decreased by 35.8% from US\$6.7 million for the year ended December 31, 2017 to US\$4.3 million for the year ended December 31, 2018, primarily due to the optimization of the administrative efficiency of the Company.

Impairment loss. During the year ended December 31, 2018, we provided impairment loss of US\$115.2 million. We performed our annual impairment test for goodwill and long-lived assets as of December 31, 2018 and accordingly recognized an impairment loss of US\$105.8 million in goodwill and an impairment loss of US\$8.6 million in long-lived assets based on the valuation report issued by a third-party valuer. We performed impairment test for long-term investment and accordingly recognized an impairment loss of \$0.7 million for the year ended December 31, 2018. For the year ended December 31, 2017, we recognized an impairment loss of US\$127.3 million in goodwill and an impairment loss of US\$19.8 million in long-lived assets.

Net Loss

As a result of the foregoing, our net loss from continuing operations decreased by 23.9% from US\$161.9 million for the year ended December 31, 2017 to US\$123.2 million for the year ended December 31, 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenues

Our revenues increased by 21% from US\$73.2 million for the year ended December 31, 2016 to US\$88.7 million for the year ended December 31, 2017. This increase was primarily due to the growing orders placed on our platform, which was in turn as a result of the increase in the average number of orders placed by our customers.

Cost of revenues

Our cost of revenues increased by 21% from US\$72.9 million for the year ended December 31, 2016 to US\$88.2 million for the year ended December 31, 2017, which was generally in line with the increase in revenue.

Operating expenses

Our total operating expenses increased significantly by 505% from US\$27.9 million for the year ended December 31, 2016 to US\$168.9 million for the year ended December 31, 2017. This change was primarily because we incurred impairment of US\$127.3 million and US\$19.8 million for goodwill and long-lived assets in 2017, respectively.

Selling and marketing expenses. Our selling and marketing expenses decreased by 25% from US\$20.4 million for the year ended December 31, 2016 to US\$15.2 million for the year ended December 31, 2017. This decrease was mainly due to (i) a decrease of US\$4.2 million expense related to loyalty program and (ii) a decrease of US\$0.6 million in the cost of advertisement campaigns and promotions.

General and administrative expenses. Our general and administrative expenses decreased by 11% from US\$7.5 million for the year ended December 31, 2016 to US\$6.7 million for the year ended December 31, 2017, primarily due to the decrease of our consulting, meeting and other administrative expenses by US\$0.8 million.

Impairment loss. During the year ended December 31, 2017, we provided impairment loss of US\$19.8 million for our long-lived assets to write down their carrying amounts to their fair value, which was determined using models with significant unobservable inputs and the cash flow projections based on past experience, actual results of operations and management best estimates about future developments as well as certain market assumptions. No impairment loss was provided for long-lived assets during the year ended December 31, 2016 based on our recoverability test.

We performed our annual impairment test for goodwill as of December 31, 2017 and accordingly, impairment loss of US\$127.3 million was recognized based on the excess in the carrying value of goodwill over the implied fair value of goodwill. No impairment loss was recognized for goodwill during the year ended December 31, 2016 based on our annual impairment test.

Loss

As a result of the foregoing, our loss from continuing operations increased by 540% from US\$25.3 million for the year ended December 31, 2016 to US\$161.9 million for the year ended December 31, 2017.

B. Liquidity and Capital Resources.

We had US\$2.6 million, US\$4.9 million and US\$0.4 million in cash and cash equivalents as of December 31, 2016, 2017 and 2018, respectively.

The following table sets forth a summary of our cash and cash equivalents inside and outside the PRC as of December 31, 2018:

	Total cash and cash equivalents (in US\$ thousands)
Zhongmin	231
PRC entities other than Zhongmin	16
Entities inside of the PRC	247
Entities outside of the PRC	110
Total	357

We have incurred net losses and experienced negative cash flows from operating activities since our inception. Our net losses were US\$25.3 million, US\$161.9 million and US\$123.2 million for the years ended December 31, 2016, 2017 and 2018, respectively, and our net cash used in operating activities in these three years were US\$5.8 million, US\$9.9 million and US\$4.3 million, respectively. We believe that our current cash balance, anticipated cash flows from operations, and the financial support obtained from Ms. Xiaoxia Zhu, our chairperson of the board of directors and chief executive officer, will be sufficient to meet our anticipated capital needs until June 28, 2020 as long as Ms. Xiaoxia Zhu remains a director and chief executive officer of our company. This commitment is for an amount subject to our actual deficiency without any limitation. In April 2018, we received loans of RMB50.0 million and RMB20.0 million from Ms. Huimin Wang and Ms. Xiaoxia Zhu, respectively, to enable us to meet the working capital requirements to fund our daily operations.

If there is any change in business conditions or other future developments, including any investments we may decide to pursue, and if our existing cash balance and commitment from Ms. Xiaoxia Zhu is insufficient to meet our requirements, we may also seek to sell additional equity securities or debt securities or borrow from lending institutions. Financing may be unavailable in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our earnings per share. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

In the future, we may rely on dividends and other distributions on equity paid by our wholly-owned PRC subsidiary for our cash and financing requirements. There are potential restrictions on the dividends and other distributions by our PRC subsidiary. For instance, if our wholly-owned PRC subsidiary incurs debt on its own behalf in the future, the instruments governing the debt could restrict its ability to pay dividends or make other distributions to us. The PRC tax authorities may require us to adjust our taxable income under the contractual arrangements that Our WFOEs currently has in place with Our VIEs in a way that could adversely affect the latter's ability to pay dividends and other distributions to us. In addition, under PRC laws and regulations, our wholly-owned PRC subsidiary, as a wholly foreign-owned enterprise in the PRC, may only pay dividends out of its accumulated profits. Wholly foreign-owned enterprises such as our wholly-owned PRC subsidiary are required to set aside at least 10% of their accumulated after-tax profits each year, if any, to fund a statutory reserve fund, until the aggregate amount of such fund reaches 50% of their respective registered capital. At their discretion, wholly foreign-owned enterprises may allocate a portion of their after-tax profits to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. See "Item 3. Key Information—D. Risk factors—Risks Related to Our Corporate Structure and Dependence on our Contractual Arrangements with our Affiliates—We rely principally on dividends and other distributions on equity paid by our PRC and Hong Kong subsidiaries to fund any cash and financing requirements we might have. Any limitation on the ability of our PRC and Hong Kong subsidiaries to pay dividends to us could have an adverse effect on our ability to conduct our business." In addition, our investment made as registered capital and additional paid-in capital of Our WFOEs and Our VIEs are also subject to restrictions in their distribution and transfer according to the laws and regulations in China. Owing to the above, Our WFOEs and Our VIEs in China are restricted in their ability to transfer their net assets to us in terms of cash dividends, loans or advances. As of December 31, 2018, the restricted net assets of Zhonming and Zhonmin, which represents registered capital and additional paid-in capital, was US\$28.2 million. Any limitation on the ability of Zhonming or our Hong Kong subsidiary, JMU HK, to pay dividends or make other distributions to us could adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

We are an offshore holding company conducting our operations in China through Our WFOEs and Our VIEs. The functional and reporting currency of our company is US Dollars. The financial records of Our WFOEs and Our VIEs located in the PRC are maintained in Renminbi. Fluctuation in the exchange rate between the Renminbi and other foreign currency may affect our ability to inject capital in Our WFOEs and Our VIEs. We could lend to Our WFOEs and Our VIEs, or we could make additional capital contributions to Our WFOEs, or we could establish new PRC subsidiary and make capital contributions to these new PRC subsidiary, or we could acquire offshore entities with business operations in China in an offshore transaction. Most of these uses are subject to PRC regulations and approvals. For example, loans by us to Our WFOEs to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. If we decide to finance Our WFOEs by means of capital contributions, these capital contributions must be approved by the Ministry of Commerce or its local counterpart. Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are unlikely to lend money to Our VIEs and its subsidiaries which are PRC domestic companies. See "Item 3. Key Information—D. Risk factors—Risks Related to Our Corporate Structure and Dependence on our Contractual Arrangements with our Affiliates—PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion could limit our use of the proceeds we receive from our initial public offering to fund our expansion or operations."

The following table sets forth a summary of our cash flows for the periods indicated:

	For the Year Ended December 31,		
	2016	2017	2018
	(in US\$ thousands)		
Net cash used in operating activities	(5,826)	(9,874)	(4,331)
Net cash used in investing activities	(2,581)	(741)	(13)
Net cash provided by financing activities	—	12,643	1,686
Effect of exchange rate changes	(140)	280	(1,897)
Increase/(decrease) in cash and cash equivalents	(8,547)	2,307	(4,555)
Cash at the beginning of the period	11,152	2,605	4,912
Cash at the end of the period	2,605	4,912	357

Net cash used in operating activities

Net cash used in operating activities was US\$4.3 million for the year ended December 31, 2018. We had a net loss of US\$123.2 million. The principal items accounting for the difference between our net loss and our net cash used in operating activities were an impairment loss of US\$115.2 million, an increase in amounts due to related parties of US\$8.8 million, and depreciation and amortization of US\$1.5 million, partially offset by income tax benefits of US\$2.1 million.

Net cash used in operating activities was US\$9.9 million for the year ended December 31, 2017. We had a net loss of US\$161.9 million. The principal items accounting for the difference between our net loss and our net cash used in operating activities were impairment loss of US\$147.0 million, depreciation and amortization of US\$8.6 million and a decrease of prepaid expenses and other current assets of US\$6.2 million, partially offset by a decrease of accrued expenses and other current liabilities of US\$0.9 million, income tax benefits of US\$6.9 million and an increase of amount due from related parties of US\$2.7 million.

Net cash used in operating activities was US\$5.8 million for the year ended December 31, 2016. We had a net loss of US\$25.3 million. The principal items accounting for the difference between our net loss and our net cash used in operating activities were a decrease of prepaid expenses and other current assets of US\$15.8 million, depreciation and amortization of US\$8.9 million and a decrease of accounts receivable of US\$1.9 million, partially offset by a decrease of accrued expenses and other current liabilities of US\$8.6 million, income tax benefits of US\$2.2 million and a decrease of accounts and notes payable of US\$1.4 million.

Net cash used in investing activities

Net cash used in investing activities was US\$13.1 thousand for the year ended December 31, 2018, representing all the amount for the purchase of property and equipment.

Net cash used in investing activities was US\$0.74 million for the year ended December 31, 2017, representing US\$0.74 million for purchase of property and equipment.

Net cash used in investing activities was US\$2.6 million for the year ended December 31, 2016, including US\$1.9 million for purchase of property and equipment and US\$0.7 million payment for investment.

Net cash provided by financing activities

Net cash provided by financing activities was US\$1.7 million for the year ended December 31, 2018, representing cash received from related parties.

Net cash provided by financing activities was US\$12.6 million for the year ended December 31, 2017 including cash received from loan borrowed from Ms. Xiaoxia Zhu of US\$5.1 million and proceeds from short-term bank borrowings of US\$7.6 million.

Financing activities did not provide us with any cash for the year ended December 31, 2016.

Capital Expenditures

We made capital expenditures of US\$13.1 thousand for the year ended December 31, 2018, consisting of the purchase of property and equipment.

We made capital expenditures of US\$0.74 million for the year ended December 31, 2017, consisting of the purchase of property and equipment.

We made capital expenditures of US\$1.9 million for the year ended December 31, 2016, consisting of the purchase of property and equipment.

Going forward, as more third-party sellers utilize our online markets and more customers and third-party sellers download and utilize our app, our server demand will increase and we intend to purchase additional servers to service our expanded networking.

Inflation

Since our inception, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2016, 2017 and 2018 were increases of 2.1%, 1.6% and 2.1%, respectively. Although we have not been materially affected by inflation in the past, we have experienced and expect to continue to experience upward pressure on our operating expenses.

Withholding Tax Obligation

Pursuant to PRC individual income tax laws, when a corporation purchases equity interest from individuals, the individuals are obligated to pay individual income tax based on 20% of the capital gain from the transaction with the corporation as the withholding agent. We have purchased equity interests of certain entities from individual sellers. There is a possibility that if individual sellers fail to meet their income tax obligations, the tax authority may require us, as the withholding agent, to pay the taxes for the sellers. Based on the information currently available, we are unable to make a reasonable estimate of the related liability due to the uncertainty related to the outcome and amount of payment and relating penalty and interest.

C. Research and development, patents and licenses, etc.

Please refer to Item 4B “Information on the Company—Business Overview—Technology” and “—Intellectual Property.”

D. Trend information.

Other than as described elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our revenue, income from continuing operations, profitability, liquidity or capital resources, or that would cause our reported financial information not necessarily to be indicative of future operating results or financial condition.

E. Off-balance sheet arrangements.

Save for the contingent withholding tax obligation disclosed above and commitments disclosed below, we do not currently have any outstanding off-balance sheet arrangements or commitments. We have no plans to enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships established for the purpose of facilitating off-balance sheet arrangements or commitments.

F. Tabular Disclosure of Contractual Obligations.

The following table sets forth our contractual obligations as of December 31, 2018:

	Payment Due by Period				
	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
	(in US\$ thousands)				
Operating Lease Commitments	145	93	52	—	—
Investment Commitments*	2,182	—	—	—	2,182
Total	2,237	93	52	—	2,182

* In May 2016, Zhongmin entered into a share purchase agreement with Cold Chain Link (Shanghai) Internet of Things Co., Ltd., formerly known as Cold Chain Link Global (Shanghai) Logistic Co., Ltd., and its original shareholders for acquiring 10% equity interest. The contractual investment amount is RMB20.0 million (US\$3.1 million). As of December 31, 2018, Zhongmin has paid RMB5.0 million (US\$0.7 million). The remaining payment obligation is due no later than March 9, 2045.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and senior management.

The following table sets forth certain information relating to our directors and executive officers as of the date of this annual report.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Xiaoxia Zhu	48	Chairperson of the Board of Directors, Chief Executive Officer
Huimin Wang	62	Director
Feng Pan	40	Director
Liyun Cao	48	Director
Hua Zhou	33	Director
Xiaoyu Li	30	Director
Tianruo (Robert) Pu	49	Independent Director
Tony C. Luh	54	Independent Director
Min Zhou	54	Independent Director
Frank Zhigang Zhao	59	Chief Financial Officer

Ms. Xiaoxia Zhu has served as the chairperson of our board of directors since June 2015 and our chairperson since May 2018. She was our co-chief executive officer from June 2015 to September 2015, and has served as our chief executive officer since then. Ms. Zhu has over 21 years of experiences on Chinese hotels and restaurant management and the internet startups. In 2013, Ms. Zhu, Ms. Huimin Wang and over 40 leading catering and hotel brands across China, jointly founded JMU. Ms. Zhu is also the vice chairwoman of China Hotel Association. From 1998 to current, Ms. Zhu founded and served as chief executive officer and chairwoman of Zhejiang Sunward Fishery Restaurant Group Co., Ltd. where she successfully expanded its business operations across multiple regions and brands to become what is now among China's top 100 catering enterprises.

Ms. Huimin Wang has served as our director since June 2015. Ms. Wang is a co-founder of JMU HK, and she is also the founder of "Xiao Nan Guo" or the "Shanghai Min" brand. Besides her directorship in our Company, at present, Ms. Wang is also the chairperson of Xiao Nan Guo Holdings Limited and chairperson of the board of directors of TANSI Global Food Group Co., Ltd., which formerly known as Xiao Nan Guo Restaurants Holdings Limited, a company listed on the Stock Exchange of Hong Kong (code: 3666.HK). Ms. Huimin Wang is also the Vice Chairman of China Cuisine Association, China Hotel Association and World Association of Chinese Cuisine.

Mr. Feng Pan has served as our director and chief strategic officer since June 2015. Mr. Pan has worked in the field of supply chain management, the internet, and strategy consulting over the past 14 years. Mr. Pan joined JMU as executive vice president in 2013, and he participated in the design of JMU's business model and its strategic investment. From 2005 to 2013, he served as the president of Influence Education Training Group and Influence Education Technology Company where he provided strategic planning for various leading corporations and several public companies. Mr. Pan worked at Midea Group from 2003 to 2005 and Hisense Kelon Group from 2001 to 2003.

Ms. Liyun Cao has served as our director since June 2015. Ms. Cao has served as vice president of JMU HK and president of JMU HK's Supply Unit since 2014, and was responsible for the operation and management of its B2B business. From 2001 to 2014, Ms. Cao worked at Zhejiang Sunward Fishery Restaurant Group Co., Ltd. in various roles including Operations Manager of the Jiangsu and Shanghai Districts. In 2012, she was promoted and has served as a director and vice president of Zhejiang Sunward Fishery Restaurant Group Co., Ltd. for two years.

Ms. Hua Zhou has served as our director since May 2018. Ms. Zhou used to work at our company as a sales manager from 2011 to 2015. Ms. Zhou has over 10 years of experience in client and partner relationship management, M&A and marketing. Since 2017, Ms. Zhou has served as the Vice President of Strategic Partnership at Beijing Galaxy Fintech Group, a fin-tech company providing finance-related solutions to micro, small and medium enterprises. From 2015 to 2017, she worked as the Chief Executive Officer at iBeacon, a data-based marketing platform providing market targeting services to retailers. From 2009 to 2011, Ms. Zhou worked as the Director of Sales at WeLink Group. Prior to that, Ms. Zhou was Director of Clients at Focus Wireless Media, starting from 2007. Ms. Zhou holds a college degree from the China University of Petroleum.

Ms. Xiaoyu Li has served as our director since May 2018. Ms. Li used to worked at our company's investor relations department from 2012 to 2013. Ms. Li has extensive experience in investor relations and investment. Since 2015, she has served as the Investor Manager at Galaxy Internet, an online investment platform for entrepreneurs. Ms. Li holds a master's degree in finance from University of Illinois at Urbana-Champaign, and a bachelor's degree in economics from University of Minnesota.

Mr. Tianruo (Robert) Pu has served as our independent director since April 2015. Mr. Pu has also served as the chief financial officer of Zhaopin Limited, an NYSE listed company, since January 2016 and a director of Renren Inc., an NYSE listed company since December 2016. Previously, Mr. Pu served as a director of UTStarcom Holdings Corporation, a Nasdaq listed company, from November 2011 to August 2014 and its Chief Financial Officer from October 2012 to August 2014. Mr. Pu served as the Chief Financial Officer of China Nuokang Biopharmaceutical Inc., a Nasdaq listed company, from September 2008 to June 2012. Prior to Nuokang Biopharmaceutical Inc., Mr. Pu was Chief Financial Officer of Global Data Solutions, a Chinese information technology services company, from June 2006 to August 2008. Prior to Global Data Solutions, Mr. Pu had gained various accounting and finance experiences in both China and the United States. Mr. Pu received an MBA degree from Northwestern University's Kellogg School of Management, a Master of Science degree in accounting from the University of Illinois and a Bachelor of Arts degree in English from China Foreign Affairs College.

Mr. Tony C. Luh has served as our independent director since April 2015. At present, Tony is a venture partner for DFJ DragonFund and Yifang Ventures. Mr. Luh was an independent board director for Pansoft Inc. between 2008 and 2012. Mr. Luh served as a General Partner and Greater China President for the Westly Group between 2011 and 2014. Before joining the Westly Group, Mr. Luh was a Founding Partner and Managing Director at DFJ DragonFund from 2006 to 2011. Mr. Luh is also one of the Founder and Managing Director at DragonVenture, which he co-founded in 1999. Before DragonVenture, Mr. Luh was a senior executive at InfoWave Communications from 1997 to 1999. Mr. Luh has over 20 years of experience in capital markets, sales, strategic alliances and business development and has accumulated public investment expertise in sectors ranging from information technology to high volume manufacturing in Asia.

Mr. Min Zhou has served as our independent director since April 2015. At present, Mr. Zhou is the executive director and executive president of Beijing Enterprises Water Group Limited serving since 2013. Between 2008 and 2012, Mr. Zhou served as an executive director and vice president of Beijing Enterprises Water Group Limited. Mr. Zhou served as the director and chief financial officer of Beijing Zhongkecheng Environment Protection Group Limited from 2004 to 2008. Previously, Mr. Zhou served as a director and chief financial officer of Sichuan Zhongkecheng Environment Protection Stock Co., Ltd. from 2001 to 2004. Mr. Zhou served as the Chairman of Beijing Jingsheng Investment Co., Ltd. from 1989 to 2001. Prior to that, Mr. Zhou worked at Industrial and Commercial Bank of China—Zhejiang Yongkang Branch from 1985 to 1989 and worked at the People's Bank of China—Zhejiang Yongkang Branch from 1980 to 1985. Mr. Zhou received an EMBA degree from Tsinghua University.

Mr. Frank Zhigang Zhao has served as our chief financial officer since June 2015. Mr. Zhao has over two decades of experience in financial and accounting management with auditing firms and public companies. Prior to joining us, Mr. Zhao was the chief financial officer of Borqs International Limited, from 2013 to 2015. Mr. Zhao worked as the chief financial officer of KingMed Medical Diagnostics from 2011 to 2013. Mr. Zhao was the chief financial officer of Simcere Pharmaceutical Group, from 2006 to 2011. From 2005 to 2006, Mr. Zhao worked as the chief financial officer of Sun New Media Inc. From 2003 to 2005, Mr. Zhao worked at FARO Technologies, Inc. as a financial controller. Mr. Zhao received his bachelor's degree in economics from Peking University and MBA degree from University of Hartford.

B. Compensation.

Compensation of Directors and Executive Officers

In 2018, we paid an aggregate of approximately RMB3.2 million (US\$0.5 million) in cash as salaries and fees to our senior executives, officers and directors named in this annual report. Other than salaries, fees and share incentives, we do not otherwise provide pension, retirement or similar benefits to our officers and directors.

Share Incentive Plan

We adopted our share incentive plan in 2011 and amended it in 2015 to attract and retain the best available personnel, provide additional incentives to our employees, directors and consultants, and promote the success of our business. The amended and restated 2011 share incentive plan provides for the grant of options, restricted shares and other share-based awards, collectively referred to as “awards.” Our board of directors has authorized the issuance of ordinary shares of up to 15% of the issued and outstanding share capital of our company from time to time.

Plan Administration. Our compensation committee will administer the amended and restated 2011 share incentive plan. The committee determines the participants to receive awards, the type and number of awards to be granted, and the terms and conditions of each award grant.

Award Agreements. Awards granted under our amended and restated 2011 share incentive plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant, which may include the term of the award, the provisions applicable in the event that the grantee’s employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award. Unless specifically approved by our board of directors, the purchase price per share of an option shall not be less than 100% of the fair market value of the shares on the date of grant.

Transfer Restrictions. The right of a grantee in an award granted under our amended and restated 2011 share incentive plan may not be transferred in any manner by the grantee other than by will or the laws of descent and, with limited exceptions, may be exercised during the lifetime of the grantee only by the grantee.

Option Exercise. The term of options granted under the amended and restated 2011 share incentive plan may not exceed ten years from the date of grant. The consideration to be paid for our ordinary shares upon exercise of an option or purchase of ordinary shares underlying the option may include cash, check or other cash-equivalent, ordinary shares, consideration received by us in a cashless exercise, or any combination of the foregoing methods of payment.

Acceleration upon a Change of Control. If a change of control of our company occurs, (i) the compensation committee may determine that any outstanding unexercisable, unvested or lapsable awards shall automatically be deemed exercisable, vested and not subject to lapse immediately prior to the event triggering the change of control and (ii) the compensation committee may cancel such awards for fair value, provide for the issuance of substitute awards or provide that for a period of at least 15 days prior to the event triggering the change of control, such options shall be exercisable and that upon the occurrence of the change of control, such options shall terminate and be of no further force and effect.

Termination and Amendment. Unless terminated earlier, our share incentive plan will expire on February 1, 2021. Our board of directors has the authority to amend or terminate our share incentive plan subject to shareholder approval to the extent necessary to comply with applicable laws. Shareholders’ approval is required for any amendment to the amended and restated 2011 share incentive plan that increases the number of ordinary shares available under the amended and restated 2011 share incentive plan or changes the maximum number of shares for which awards may be granted to any participant. Additionally, a participant’s consent is required to diminish any of the rights of the participant under any award previously granted to such participant.

The following table summarizes, as of the date of this annual report, the outstanding options granted to our executive officers, directors, and other individuals as a group under our amended and restated 2011 share incentive plan.

Name	Common shares underlying options awarded/Restricted Share Units	Exercise price (US\$/share)	Date of grant	Date of expiration
Feng Pan	*	0.2	2016/7/1	2026/7/1
	*(1)	—	2016/7/1	2026/7/1
Liyun Cao	*	0.2	2016/7/1	2026/7/1
	*(1)	—	2016/7/1	2026/7/1
Other Individuals as a Group	46,251,820	from 0 to 0.2	from 2011/2/1 to 2016/7/1	from 2018/9/1 to 2026/7/1
	*(1)	—	2016/7/1	2026/7/1
Total	61,498,520			

* Less than one percent of our total outstanding share capital.

(1) restricted share units

C. Board Practices.

Duties of Directors

Under Cayman Islands law, our directors owe certain fiduciary duties to our company, including duties of loyalty, to act honestly, and to act in what they consider in good faith to be in our best interests. Our directors also have a duty to exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our fourth amended and restated memorandum and articles of association. We have the right to seek damages if a duty owed by our directors is breached.

The powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- issuing authorized but unissued shares;
- declaring dividends and distributions;
- exercising the borrowing powers of our company and mortgaging the property of our company;
- approving the transfer of shares of our company, including the registering of such shares; and
- exercising any other powers conferred by the shareholders' meetings or under our fourth amended and restated memorandum and articles of association.

Terms of Directors and Executive Officers

We have nine directors on our board of directors, three of whom are independent directors. Any director on our board may be removed by way of an ordinary resolution of shareholders. Any vacancies on our board of directors or additions to the existing board of directors can be filled by the affirmative vote of a majority of the remaining directors. The shareholders may also by ordinary resolution elect any person to be a director either to fill a casual vacancy or as an addition to the existing board of directors.

Any director appointed to fill a casual vacancy shall hold office for the remaining term of the director in whose place he is appointed and shall be eligible for re-election at the expiry of the said term.

Grounds for Vacating a Director

The office of a director shall be vacated if the director:

- resigns his office by notice in writing delivered to us or tendered at a meeting of the board of directors;
- becomes of unsound mind or dies;
- without special leave of absence from the board of directors, is absent from meetings of the board of directors for six consecutive months and the board of directors resolves that his office be vacated;
- becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- is prohibited by law from being a director; or
- ceases to be a director by virtue of any provisions of Cayman Islands law or is removed from office pursuant to the fourth amended and restated articles of association.

All of our executive officers are appointed by and serve at the discretion of our board of directors. Our executive officers are elected by and may be removed by a majority vote of our board of directors.

Board Committees

Our board of directors has established an audit committee and a compensation committee.

Audit Committee

Our audit committee consists of Tianruo (Robert) Pu, Tony C. Luh and Min Zhou. We have determined that all the members of our audit committee satisfy the “independence” requirements of Rule 10A-3 under the Exchange Act and Nasdaq Marketplace Rule 5605(c)(2)(A) and that Tianruo (Robert) Pu is an audit committee financial expert as defined in the instructions to Item 16A of the Form 20-F. Tianruo (Robert) Pu serves as the chairperson of the audit committee.

The audit committee oversees our accounting and financial reporting processes and the audits of our consolidated financial statements. Our audit committee is responsible for, among other things:

- selecting the independent auditor;
- pre-approving auditing and non-auditing services permitted to be performed by the independent auditor;
- annually reviewing the independent auditor’s report describing the auditing firm’s internal quality control procedures, any material issues raised by the most recent internal quality control review, or peer review, of the independent auditors and all relationships between the independent auditor and our company;
- setting clear hiring policies for employees and former employees of the independent auditors;
- reviewing with the independent auditor any audit problems or difficulties and management’s response;
- reviewing and approving all related party transactions on an ongoing basis;
- reviewing and discussing the annual audited consolidated financial statements with management and the independent auditor;

- reviewing and discussing with management and the independent auditors major issues regarding accounting principles and financial statement presentations;
- reviewing reports prepared by management or the independent auditors relating to significant financial reporting issues and judgments;
- discussing earnings press releases with management, as well as financial information and earnings guidance provided to analysts and rating agencies;
- reviewing with management and the independent auditors the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on our consolidated financial statements;
- discussing policies with respect to risk assessment and risk management with management, internal auditors and the independent auditor;
- timely reviewing reports from the independent auditor regarding all critical accounting policies and practices to be used by our company, all alternative treatments of financial information within U.S. GAAP that have been discussed with management and all other material written communications between the independent auditor and management;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately, periodically, with management, internal auditors and the independent auditor; and
- reporting regularly to the full board of directors.

Compensation Committee

Our compensation committee consists of Min Zhou, Tianruo (Robert) Pu and Tony C. Luh. We have determined that all the members of our compensation committee satisfy the “independence” requirements of Rule 5605(a) of Nasdaq Stock Market Marketplace Rules. Min Zhou serves as the chairperson of the compensation committee.

Our compensation committee is responsible for, among other things:

- reviewing and approving our overall compensation policies;
- reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer, evaluating our Chief Executive Officer’s performance in light of those goals and objectives, reporting the results of such evaluation to the board of directors, and determining our Chief Executive Officer’s compensation level based on this evaluation;
- determining the compensation level of our other executive officers;
- making recommendations to the board of directors with respect to our incentive-compensation plan and equity-based compensation plans;
- administering our equity-based compensation plans in accordance with the terms thereof; and

- such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

Corporate Governance

Our board of directors has adopted a code of business conduct and ethics, which is applicable to all of our directors, officers and employees. We have made our code of business conduct and ethics publicly available on our website.

In addition, our board of directors has adopted a set of corporate governance guidelines. The guidelines reflect certain guiding principles with respect to our board's structure, procedures and committees. The guidelines are not intended to change or interpret any law, or our fourth amended and restated memorandum and articles of association.

Remuneration and Borrowing

The directors may determine the remuneration to be paid to the directors. The compensation committee will assist the directors in reviewing and approving the compensation structure for the directors. The directors may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures or other securities whether outright or as security for any debt obligations of our company or of any third-party.

Qualification

There is no requirement for our directors to own any shares in our company in order for them to qualify as a director.

Employment Agreements

We have entered into employment agreements with each of our executive officers. We may terminate an executive officer's employment for cause, at any time, without notice or remuneration, for certain acts of the officer, including, but not limited to, a conviction or plea of guilty to a felony, willful misconduct to our detriment or a failure to perform agreed duties. We may also terminate an executive officer's employment under certain conditions, including, but not limited to, incapacity or disability of the officer, by a one-month prior written notice. An executive officer may terminate his or her employment with us for cause, at any time for certain reasons, or by a one-month prior written notice.

Our executive officers have also agreed not to engage in any activities that compete with us, or to directly or indirectly solicit the services of our employees, during employment or for a period of two years after termination of employment. Each executive officer has agreed to hold in strict confidence any confidential information or trade secrets of our company. Each executive officer also agrees to comply with all material applicable laws and regulations related to his or her responsibilities at our company as well as all material corporate and business policies and procedures of our company.

D. Employees.

As of December 31, 2018, we had a total of 75 employees, consisting of 30 in sales, 16 in marketing, 12 in research and development, and 17 staff members in administrative and management departments. We had a total of 252 employees as of December 31, 2017 and 291 employees as of December 31, 2016.

The remuneration package for our employees includes salary, sales commissions and employee share option programs. In accordance with applicable regulations in China, we participate in a number of social insurance schemes, namely, a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a personal injury insurance plan, a maternity insurance and a housing reserve fund for the benefit of all of our employees. We have not experienced any material labor disputes or disputes with the labor department of the PRC government since our inception.

E. Share Ownership.

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our ordinary shares as of the date of this annual report (unless otherwise indicated) by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our ordinary shares.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting power or investment power with respect to securities. The number of ordinary shares beneficially owned including ordinary shares such person has the right to acquire within 60 days after the date of this annual report. Such shares, however, are not deemed to be outstanding and beneficially owned for the purpose of computing the percentage ownership of any other shareholder. The total number of ordinary shares outstanding as of the date of this annual report is 2,108,869,528 (excluding 759,600 ordinary shares in the form of ADSs that are reserved for issuance upon the exercise of share awards).

	Ordinary Shares Beneficially Owned	
	Number	Percentage (%)
Directors and Executive Officers:		
Xiaoxia Zhu	—	—
Huimin Wang ⁽¹⁾	291,015,012	13.80
Feng Pan ⁽²⁾	111,213,418	5.27
Liyun Cao	—	—
Hua Zhou ⁽³⁾	—	—
Xiaoyu Li ⁽⁴⁾	*	*
Tianruo (Robert) Pu ⁽⁵⁾	—	—
Tony C. Luh ⁽⁶⁾	—	—
Min Zhou ⁽⁷⁾	—	—
Frank Zhigang Zhao ⁽⁸⁾	*	*
Directors and executive officers as a group	412,600,970	19.57
Principal Shareholders:		
Haohan Xu ⁽⁹⁾	1,011,303,374	47.95
Extensive Power Limited ⁽¹⁰⁾	149,100,132	7.07
Moonlight Vista Limited ⁽¹¹⁾	141,914,880	6.73
Shanghai Zhongju Investment Management Center (limited Partnership) ⁽¹²⁾	111,213,418	5.27

* Less than 1% of our total outstanding shares.

** The address of our directors (except Ms. Hua Zhou, Ms. Xiaoyu Li, Mr. Tianruo (Robert) Pu, Mr. Tony C. Luh, and Mr. Min Zhou) and executive officers (except Mr. Frank Zhigang Zhao) is 2/F, No. 608, Macau Road, Putuo District, Shanghai 200060, People's Republic of China.

(1) representing (i) 149,100,132 ordinary shares owned by Extensive Power Limited, a Hong Kong company controlled by Huimin Wang, the principal business address of which is Suites 3201-5, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, and (ii) 141,914,880 ordinary shares owned by Moonlight Vista Limited, a British Virgin Islands company controlled by Huimin Wang, the principal business address of which is Suites 3201-5, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

- (2) representing 111,213,418 ordinary shares owned by Shanghai Zhongju Investment Management Center (Limited Partnership), a PRC limited liability partnership, whose general partner has irrevocably appointed Feng Pan to act on behalf of the general partner for all matters relating to Shanghai Zhongju Investment Management Center (Limited Partnership) and has irrevocably waived the right to replace Feng Pan. The principal business address of Shanghai Zhong Ju Investment Management Center is Room 304-22, 3/F, Building 2, No. 38 Debao Road, China (Shanghai) Pilot Free Trade Zone, People's Republic of China.
- (3) the business address of Ms. Zhou is 128 Weihai Road, Room 4-3-601, Rizhao, Shandong Province, People's Republic of China.
- (4) the business address of Ms. Li is 6-2-301 Xi Er Qi Zhi College, Beijing, People's Republic of China,
- (5) the business address of Mr. Pu is 5th Floor Shoukai Plaza, 10 Fu Rong Street, Wang Jing, Beijing, People's Republic of China.
- (6) the business address of Mr. Luh is c/o Dragon Venture, Inc., 55 East 3rd Avenue, San Mateo, CA 94401.
- (7) the business address of Mr. Zhou is c/o Beijing Enterprises Water Group Limited. Tower 3 Poly International Plaza, Zone 7 Wangjing East Park, Chaoyang District, Beijing, People's Republic of China.
- (8) the business address of Mr. Zhao is 18-11 Bishui Garden, Beijing, China.
- (9) representing 1,011,303,374 ordinary shares directly held by Mr. Haohan Xu. The business address of Mr. Haohan Xu is 12 East 49 Street, 17th Floor, New York, NY, 10017, United States of America.
- (10) representing 149,100,132 ordinary shares owned by Extensive Power Limited, a Hong Kong company controlled by Huimin Wang, the principal business address of which is Suites 3201-5, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (11) representing 141,914,880 ordinary shares owned by Moonlight Vista Limited, a British Virgin Islands company controlled by Huimin Wang, the principal business address of which is Suites 3201-5, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (12) representing 111,213,418 ordinary shares owned by Shanghai Zhongju Investment Management Center (Limited Partnership), a PRC limited liability partnership. The principal business address of Shanghai Zhongju Investment Management Center is Room 304-22, 3/F, Building 2, No. 38 Debao Road, China (Shanghai) Pilot Free Trade Zone, People's Republic of China.

As of the date of this annual report, we had 2,108,869,528 ordinary shares outstanding (excluding 759,600 ordinary shares in the form of ADSs that are reserved for issuance upon the exercise of share awards). To our knowledge, we had only one record shareholder in the United States. Citibank, N.A., the depository of our ADS program, which held 520,490,502 ordinary shares as of the date of this annual report, representing 35.3% of our total outstanding ordinary shares. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

None of our existing shareholders has voting rights that will differ from the voting rights of other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders.

Please refer to “Item 6. Directors, Senior Management and Employees—E. Directors, Senior Management and Employees—Share Ownership.”

B. Related Party Transactions.

Contractual Arrangements with Our VIEs and Their Respective Shareholders

Due to certain restrictions under PRC law on foreign ownership of businesses engaged in internet businesses, we conduct our operations in China principally through contractual arrangements between our wholly-owned PRC subsidiaries, Shanghai Zhongming and Lianji Future on the one hand and our consolidated affiliated entities in China, Zhongmin, Lianji and their respective subsidiaries and shareholders on the other. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure.”

Related Party Loans and Other Payments

Please see Note 18 to our consolidated financial statements included elsewhere in this annual report for the details of related party transactions.

Employment Agreements

See “Item 6. Directors, Senior Management and Employees—C. Board Practices—Employment Agreements.”

Share Options

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Compensation of Directors and Executive Officers—Share Incentive Plan.”

Registration Rights Agreement with former JMU HK shareholders

On June 8, 2015, in connection with our acquisition of JMU, we entered into a registration rights agreement with (i) former shareholders of JMU HK, which are beneficially owned by Ms. Xiaoxia Zhu, our chairperson and chief executive officer, and (ii) entities beneficially owned by Mr. Maodong Xu, pursuant to which we agreed to provide these former shareholders and Mr. Xu with certain registration rights in respect of our ordinary shares held by them.

Upon receipt of a written request from the holders of 10% of the registrable securities then outstanding requesting us effect a registration under the Securities Act covering all of part of the shares held by them, we shall, as soon as is practicable, but in no event not later than ninety days after receipt of such written request, file with the SEC, and use our reasonable best efforts to cause to be declared effective, a registration statement, or a shelf registration statement. However, that we shall not be obligated to effect any such registration if the aggregate price (net of any underwriters’ discounts or commissions) of the sale of shares relating to such registration is less than \$10,000,000.

If, at any time, we file a registration statement with the SEC, holders of registration rights under this agreement will be entitled, subject to certain exceptions, to exercise “piggyback” registration rights requiring us to include in any such registration that number of shares held by them, subject to certain prescribed limitations provided in the registration rights agreement.

We may, on a limited number of occasions, and in certain prescribed circumstances, delay the filing or effectiveness of any registration statement required to be filed pursuant to the registration rights agreement.

Related Party Transaction with Mr. Haohan Xu

Acquisition of Unicorn

On May 21, 2019, we entered into a share purchase agreement with Unicorn and Mr. Haohan Xu, one of our shareholders, pursuant to which we acquired all the issued and outstanding shares of Unicorn held by Mr. Haohan Xu, in consideration for the issuance of 632,660,858 new ordinary shares.

Registration Rights Agreement with former Unicorn shareholder

On May 21, 2019, in connection with our acquisition of Unicorn in consideration for the issuance of 632,660,858 new ordinary shares to the former shareholder of Unicorn, Mr. Haohan Xu, we entered into a registration rights agreement with Mr. Xu, pursuant to which we agreed to provide Mr. Xu with certain registration rights in respect of our ordinary shares held by him.

Upon receipt of a written request from the holders of 10% of the registrable securities then outstanding requesting us effect a registration under the Securities Act covering all of part of the shares held by them, we shall, as soon as it is practicable, but in no event later than ninety days after receipt of such written request, file with the SEC, and use our reasonable best efforts to cause to be declared effective, a registration statement, or a shelf registration statement. However, we shall not be obligated to effect any such registration if the aggregate price (net of any underwriters’ discounts or commissions) of the sale of shares relating to such registration is less than \$5,000,000.

If, at any time, we file a registration statement with the SEC, holders of registration rights under this agreement will be entitled, subject to certain exceptions, to exercise “piggyback” registration rights requiring us to include in any such registration that number of shares held by them, subject to certain prescribed limitations provided in the registration rights agreement.

We may, on a limited number of occasions, and in certain prescribed circumstances, delay the filing or effectiveness of any registration statement required to be filed pursuant to the registration rights agreement.

C. Interests of experts and counsel.

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information.

Please refer to Item 18 “Financial Statements” for our audited consolidated financial statements filed as part of this annual report.

Legal Proceedings

On January 11, 2019, Shanghai MIN Hongshi Trading Co., Ltd, or Shanghai Hongshi, filed a claim with the Shanghai Yangpu People's Court, or the Shanghai Yangpu Court, against Zhongmin, alleging that Zhongmin had failed to repay a loan of RMB10 million due to Shanghai Hongshi. On January 14, 2019, the Shanghai Yangpu Court issued a civil ruling paper of property preservation, which ordered the freezing of RMB10 million deposit of Zhongmin or the attachment of the equivalent property. A civil summon was also issued by the Shanghai Yang Pu Court on January 1, 2019, requesting the summoned appear before the court on February 13, 2019. The two parties are currently negotiating on a settlement, and Zhongmin had applied to the court for a postponement of the hearing. The specific time of the hearing is to be notified by the court.

On February 1, 2019, WM Ming Hotel Co., Ltd., or WM Ming, filed a claim with the Shanghai Yangpu Court against Zhongmin, alleging that Zhongmin had failed to repay a loan of RMB6 million due to WM Ming, which we believe is the amount of investment payable by WM Ming, and Zhongmin is requesting WM Ming to verify.

The legal representative of Shanghai Hongshi and WM Ming is Ms. Huimin Wang, who is also our director. Although we are attempting to negotiate with the relevant parties, uncertainties exist as to whether we are obligated to pay the two loans mentioned in the preceding two paragraphs.

Other than as set forth above, we are not currently a party to, nor are we aware of, any legal proceeding, investigation or claim which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or results of operations.

Dividend Policy

Since our inception, we have not declared or paid any dividends on our ordinary shares. We have no present plan to pay any dividends on our ordinary shares in the foreseeable future. We intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Any future determination to pay dividends will be made at the discretion of our board of directors subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. In addition, our shareholders may declare a dividend at a general meeting of our company. Our board of directors' decision to declare and pay dividends may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, the amount of distributions, if any, received by us from our PRC subsidiary, our general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

We are a holding company incorporated in the Cayman Islands. In order for us to distribute any dividends to our shareholders and ADS holders, we will rely on dividends distributed by Our WFOEs. Certain payments from our PRC subsidiary to us are subject to PRC taxes, such as withholding income tax. In addition, regulations in China currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. Our PRC subsidiary is required to set aside at least 10% of its after-tax profit based on PRC accounting standards every year to a statutory common reserve fund until the aggregate amount of such reserve fund reaches 50% of the registered capital of such subsidiary. Such statutory reserves are not distributable as loans, advances or cash dividends. Our PRC subsidiary may set aside a certain amount of its after-tax profits to other funds at its discretion. These reserve funds can only be used for specific purposes and are not transferable to the company's parent in the form of loans, advances or dividends. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure and Dependence on our Contractual Arrangements with our Affiliates—We rely principally on dividends and other distributions on equity paid by our PRC and Hong Kong subsidiaries to fund any cash and financing requirements we might have. Any limitation on the ability of our PRC and Hong Kong subsidiaries to pay dividends to us could have an adverse effect on our ability to conduct our business."

B. Significant Changes.

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING.

A. Offer and listing details.

See “C. Markets.”

B. Plan of distribution.

Not applicable.

C. Markets.

Our ADSs are listed on The Nasdaq Global Market under the symbol “JMU.” Each ADS represents 180 ordinary shares.

D. Selling shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the issue.

Not applicable.

ITEM 10. ADDITIONAL INFORMATION.

A. Share capital.

Not applicable.

B. Memorandum and articles of association.

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association, and the Companies Law (2018 Revision), as amended, of the Cayman Islands, which is referred to as the Companies Law below. The following are summaries of material provisions of our fourth amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is at Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law, as amended from time to time, or any other law of the Cayman Islands.

Board of Directors

A director is not required to hold any shares in our company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested. A director may exercise all the powers of our company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of our company or of any third-party. The directors may receive such remuneration as our board may from time to time determine. There is no age limit requirement with respect to the retirement or non-retirement of a director. See also “Item 6. Directors, Senior Management and Employees — C. Board Practices.”

Ordinary Shares

General

All of our outstanding ordinary shares are fully paid and non-assessable. Our ordinary shares are issued in registered form and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Our fourth amended and restated memorandum and articles of association do not permit us to issue bearer shares.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our shareholders or board of directors subject to the Companies Law and to the fourth amended and restated articles of association. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our share premium account, and provided further that a dividend may not be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights

Each ordinary share is entitled to one vote on all matters upon which the ordinary shares are entitled to vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of at least two-thirds of votes cast attached to the ordinary shares in a meeting. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

General Meetings of Shareholders

Shareholders' meetings may be convened by a majority of our board of directors or our chairman. Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our fourth amended and restated articles of association allow our shareholders holding shares representing in aggregate not less than 30% of our voting share capital in issue, to requisition an extraordinary general meeting of our shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our fourth amended and restated articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders. Advance notice of at least ten clear days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders. A quorum required for a meeting of shareholders consists of at least two shareholders present or by proxy, representing not less than one-third in nominal value of the total issued voting shares in our company.

Transfer of Ordinary Shares

Subject to the restrictions contained in our fourth amended and restated articles of association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists. Our board of directors may also decline to register any transfer of any ordinary share unless (a) the instrument of transfer is lodged with us or such other place at which the register of members is kept in accordance with Cayman Islands law, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer; (b) the instrument of transfer is in respect of only one class of shares; (c) the instrument of transfer is properly stamped, if required; (d) the ordinary shares transferred are fully paid and free of any lien in favor of us; (e) a fee of such maximum sum as the Nasdaq Global Market may determine to be payable or such lesser sum as the board may from time to time require is paid to us in respect thereof; and (f) the transfer is not to more than four joint holders.

If our directors refuse to register a transfer they are required, within three months after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice requirement of the Nasdaq Global Market, be suspended and the register closed at such times and for such periods as our directors may from time to time determine; provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our directors may determine.

Liquidation

On a return of capital on winding up or otherwise (other than on redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares will be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

Share Repurchases

We are empowered under our fourth amended and restated memorandum of association to purchase our shares subject to the Companies Law and our fourth amended and restated articles of association. Our fourth amended and restated articles of association provide that this power is exercisable by our board of directors in such manner, upon such terms and subject to such conditions as it in its absolute discretion thinks fit subject to the Companies Law and, where applicable, the rules of the Nasdaq Global Market and the applicable regulatory authority.

Variations of Rights of Shares

If at any time our share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a majority of two-thirds of the vote of all of the shares in that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, our fourth amended and restated articles of association provide our shareholders with the right to inspect our list of shareholders and to receive annual audited financial statements.

Changes in Capital

We may from time to time by ordinary resolution: (a) increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe; (b) consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares; (c) sub-divide our existing shares, or any of them into shares of a smaller amount; or (d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled. We may by special resolution reduce our share capital or any capital redemption reserve in any manner permitted by law.

Register of Members

Under Cayman Islands law, we must keep a register of members and there should be entered therein: (a) the names and addresses of the members, a statement of the shares held by each member, and of the amount paid or agreed to be considered as paid, on the shares of each member; (b) the date on which the name of any person was entered on the register as a member; and (c) the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members should be deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members. Upon the closing of this offering, the register of members should be immediately updated to record and give effect to the issue of shares by us to the Depositary (or its nominee) as the depositary. Once our register of members has been updated, the shareholders recorded in the register of members will be deemed to have legal title to the shares set against their name.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Cayman Islands Grand Court for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

Differences in Corporate Law

The Companies Law is derived, to a large extent, from the older Companies Acts of England but does not follow recent statutory enactments in England. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States.

Mergers and Similar Arrangements

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association.

The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the Grand Court of the Cayman Islands can be expected to approve the arrangement if it determines that (a) the statutory provisions as to the required majority vote have been met; (b) the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class; (c) the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and (d) the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

When a takeover offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

Shareholders' Suits

In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when (a) a company acts or proposes to act illegally or ultra vires; (b) the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and (c) those who control the company are perpetrating a "fraud on the minority."

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our fourth amended and restated memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our fourth amended and restated memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Anti-Takeover Provisions in the Memorandum and Articles of Association

Some provisions of our fourth amended and restated memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association, as amended and restated from time to time, for what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third-party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

In addition, directors of a Cayman Islands company must not place themselves in a position in which there is a conflict between their duty to the company and their personal interests. However, this obligation may be varied by the company's articles of association, which may permit a director to vote on a matter in which he has a personal interest provided that he has disclosed that nature of his interest to the board. Our fourth amended and restated memorandum and articles of association provides that a director with an interest (direct or indirect) in a contract or arrangement or proposed contract or arrangement with the company must declare the nature of his interest at the meeting of the board of directors at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the board of directors after he is or has become so interested.

A general notice may be given at a meeting of the board of directors to the effect that (i) the director is a member/officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice in writing be made with that company or firm; or (ii) he is to be regarded as interested in any contract or arrangement which may after the date of the notice in writing to the board of directors be made with a specified person who is connected with him, will be deemed sufficient declaration of interest. Following the disclosure being made pursuant to our fourth amended and restated memorandum and articles of association and subject to any separate requirement for Audit Committee approval under applicable law or the listing rules of Nasdaq, and unless disqualified by the chairman of the relevant board meeting, a director may vote in respect of any contract or arrangement in which such director is interested and may be counted in the quorum at such meeting. However, even if a director discloses his interest and is therefore permitted to vote, he must still comply with his duty to act bona fide in the best interest of our company.

In comparison, under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

There are no statutory requirements under Cayman Islands law allowing our shareholders to requisition a shareholders' meeting. However, under our fourth amended and restated articles of association, on the requisition of shareholders representing not less than 30% of the voting rights entitled to vote at general meetings, the board shall convene an extraordinary general meeting. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings. However, our fourth amended and restated articles of association require us to call such meetings every year.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our fourth amended and restated articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our fourth amended and restated articles of association, directors may be removed by an ordinary resolution of shareholders.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its shareholders, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Law of the Cayman Islands and our fourth amended and restated articles of association, our company may be dissolved, liquidated or wound up by a special resolution of our shareholders.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our fourth amended and restated articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under Cayman Islands law, our fourth amended and restated memorandum and articles of association may only be amended by a special resolution of our shareholders.

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by our fourth amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our fourth amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

Directors' Power to Issue Shares

Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

C. Material contracts.

We have not entered into any material contracts other than in the ordinary course of business and other than those described in Item 4 "Information on the Company," elsewhere in this annual report or below.

D. Exchange controls.

Regulations on Foreign Exchange

Foreign Exchange Regulation

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiary.

SAFE has promulgated the Circular on Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, as amended in May 2015, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity could be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

SAFE Circular 37

In July 2014, SAFE issued SAFE Circular 37, which supersedes SAFE Circular 75, and requires that PRC citizens or residents must register with the relevant local SAFE branch before making capital contribution to any offshore entity directly established or indirectly controlled by that PRC citizen or resident for the purpose of investment or financing and with onshore or offshore assets or equity interests legally owned by that PRC citizen or resident. In addition, the SAFE registrations are required to be updated with local SAFE branch with respect to that offshore special purpose company in connection with the change of its basic information, such as its company name, business term, shareholding by individual PRC citizens or residents, merger, or division and, with respect to the individual PRC citizens or residents in case of any increases or decreases of capital in that offshore special purpose company, or share transfers or swaps by the individual PRC citizens or residents.

Our PRC citizen or resident beneficial owners are applying for registrations under SAFE Circular 37 with the relevant local counterpart of SAFE in Beijing. However, we might not be fully informed of the identities of all our beneficial owners who are PRC citizens or residents, and we cannot compel our beneficial owners to comply with SAFE Circular 37 requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC citizens or residents have complied with and will in the future make or obtain any applicable registrations or approvals required by SAFE Circular 37 or other related regulations. Failure to comply with the required SAFE registration and updating requirements described above could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—A failure by our shareholders or beneficial owners who are PRC citizens or residents in China to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities or subject us to liability under PRC laws, which could adversely affect our business and financial condition."

Employee Stock Option Plans

In February 2012, SAFE promulgated the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, replacing earlier rules promulgated in March 2007, to regulate the foreign exchange administration of PRC citizens and non-PRC citizens who reside in the PRC for a continuous period of not less than one year, with a few exceptions, who participate in stock incentive plans of overseas publicly-listed companies. Pursuant to these rules, these individuals who participate in any stock incentive plan of an overseas publicly-listed company, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiary of such overseas listed company, and complete certain other procedures. We and our executive officers and other employees who are PRC citizens or non-PRC citizens who reside in the PRC for a continuous period of not less than one year and have been granted options are subject to these regulations. Failure to complete such SAFE registrations could subject us and these employees to fines and other legal sanctions. The State Administration of Taxation has issued certain circulars concerning employee share options or restricted shares. Under these circulars, our employees working in the PRC who exercise share options or are granted restricted shares would be subject to PRC individual income tax. Our PRC subsidiary has obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we could face sanctions imposed by the tax authorities or other PRC government authorities. In addition, under the SAFE Circular 37 effective from July 2014, the individual PRC citizens or residents who are directors, supervisors, senior management or other employees of an enterprise in the PRC that is directly or indirectly controlled by an overseas non-listed special purpose company and participate in any stock incentive plan of such non-listed special purpose company, can submit relevant materials to the relevant local SAFE branch for the foreign exchange registration before the exercise of the share option. However, as a newly implemented regulation, specific terms of SAFE Circular 37 remain subject to interpretation and application by SAFE.

See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—A failure to comply with PRC regulations regarding the registration of shares and share options held by our employees who are PRC citizens could subject such employees or us to fines and legal or administrative sanctions.”

Foreign Exchange Administration Applicable to Direct Investment

In February 2015, SAFE further simplified and improved the policies of Foreign Exchange Administration Applicable to Direct Investment, two administrative examination and approval items, i.e. verification and approval of foreign exchange registration under domestic direct investment, and verification and approval of foreign exchange registration under overseas direct investment, shall be abolished. Instead, banks shall, in accordance with this Notice and the Operating Guidelines for Foreign Exchange Services under Direct Investment, directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment. The SAFE and its branches will then conduct indirect regulation of Foreign Exchange Registration of Direct Investment via banks. Pursuant to these rules, foreign investors can directly invest into PRC entities without prior verification and approval of foreign exchange registration from SAFE.

Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises

In March 2015, SAFE reformed the administrative approach regarding the settlement of the foreign exchange capitals of foreign-invested enterprises. Foreign-invested enterprises will be allowed to settle their foreign exchange capitals on a discretionary basis. It means a foreign-invested enterprise may, based on its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis. However, a foreign-invested enterprise shall not use its capital and the RMB funds obtained from foreign exchange settlement for any of the following purposes: (1) directly or indirectly, using the foregoing funds for expenditure beyond its business scope or expenditure prohibited by State laws and regulations; (2) directly or indirectly, using the foregoing funds for investment in securities, unless otherwise prescribed by laws and regulations; (3) directly or indirectly, using the foregoing funds for disbursing RMB entrusted loans (unless permitted under its business scope), repaying inter-corporate borrowings (including third-party advances) and repaying RMB bank loans that have been sub-lent to third parties; or (4) using the foregoing funds to pay for the expenses related to the purchase of real estate not for self-use, unless it is a foreign-invested real estate enterprise.

Regulations on Dividend Distribution

Wholly foreign-owned companies in China, such as Our WFOEs, may pay dividends only out of their accumulated profits after tax as determined in accordance with PRC accounting standards. Remittance of dividends by a wholly foreign-owned enterprise out of China is subject to examination by the commercial banks. Wholly foreign-owned companies are not permitted to pay dividends unless they set aside at least 10% of their respective accumulated profits after-tax each year, if any, to fund certain reserve funds, until such time as the accumulative amount of such fund reaches 50% of the wholly foreign-owned company's registered capital. In addition, these companies also may allocate a portion of their after-tax profits based on PRC accounting standards to other funds at their discretion. These statutory reserve funds and other funds are not distributable as cash dividends.

E. Taxation.

The following is a general summary of the material Cayman Islands, People's Republic of China and U.S. federal income tax consequences relevant to an investment in our ADSs and ordinary shares. The discussion is not intended to be, nor should it be construed as, legal or tax advice to any particular prospective purchaser. The discussion is based on laws and relevant interpretations thereof as of the date of this annual report, all of which are subject to change or different interpretations, possibly with retroactive effect. The discussion does not address U.S. state or local tax laws, or tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China and the United States. You should consult your own tax advisors with respect to the consequences of acquisition, ownership and disposition of our ADSs and ordinary shares.

Cayman Islands Taxation

The Cayman Islands does not impose any withholding taxes on dividends paid to shareholders by a Cayman Islands corporation, nor does the Cayman Islands impose any other taxes on shareholders of a Cayman Islands corporation who are not themselves residents of the Cayman Islands. The Cayman Islands is not a party to any tax treaties that are applicable to any payments made to or by our company.

People's Republic of China Taxation

Under the Enterprise Income Tax Law and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China, enterprises established outside of China but whose "de facto management body" is located in China are considered "resident enterprises" for PRC tax purposes. Under the applicable implementation regulations, "de facto management body" is defined as the organizational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. Substantially all of our management is currently based in China, and may remain in China in the future. If we are treated as a "resident enterprise" for PRC tax purposes, foreign enterprise holders of our ADSs or ordinary shares may be subject to a 10% PRC income tax upon dividends payable by us and on gains realized on their sales or other dispositions of our ADSs or ordinary shares. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we could be classified as a 'resident enterprise' of China. Such classification could result in unfavorable tax consequences to us and our non-PRC shareholders." In addition, gains derived by our non-PRC individual shareholders from the sale of our shares and ADSs may be subject to a 20% PRC withholding tax. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to dividends realized by non-PRC individuals, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is unclear either whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise.

Material United States Federal Income Tax Considerations

The following summary describes the material United States federal income tax consequences to United States Holders (as defined below) of the ownership of our ordinary shares and ADSs as of the date hereof. Except where noted, this summary deals only with ordinary shares and ADSs held as capital assets. As used herein, the term "United States Holder" means a beneficial owner of an ordinary share or ADS that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;

- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not represent a detailed description of all of the United States federal income tax consequences that may be applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution of certain types;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our ordinary shares or ADSs as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person who owns or is deemed to own 10% or more of the voting power or value of our stock;
- a partnership or other pass-through entity for United States federal income tax purposes; or
- a person whose “functional currency” is not the United States dollar.

In addition, this discussion does not address any state, local, alternative minimum tax, or non-United States tax considerations, or the Medicare contribution tax on net investment income. Each potential investor is urged to consult its tax advisor regarding the United States federal, state, local and non-United States income and other tax considerations of an investment in our ADSs or ordinary shares.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, final and proposed regulations thereunder, rulings and judicial decisions as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

If a partnership holds our ordinary shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding our ordinary shares or ADSs, you should consult your tax advisors.

This summary does not contain a detailed description of all the United States federal income tax consequences that may be applicable to you in light of your particular circumstances and, except as set forth below with respect to PRC tax considerations, does not address the effects of any state, local or non-United States tax laws. If you are considering the purchase, ownership or disposition of our ordinary shares or ADSs, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

ADSs

If you hold ADSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying ordinary shares that are represented by such ADSs. Accordingly, deposits or withdrawals of ordinary shares for ADSs will not be subject to United States federal income tax.

Taxation of Dividends and Other Distributions on the ADSs

Subject to the discussion under “—Passive Foreign Investment Company” below, the gross amount of any distributions on the ADSs or ordinary shares (including any amounts withheld to reflect PRC withholding taxes) will be taxable as dividends, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of the ordinary shares, or by the depository, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

Dividends paid to certain non-corporate United States Holders may be taxable at preferential rates applicable to long-term capital gain if we are treated as a “qualified foreign corporation.” A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on ordinary shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. Our ADSs are listed on the Nasdaq Global Market, and thus, pursuant to the United States Treasury Department guidance, our ADSs are treated as readily tradable on an established securities market in the United States. Thus, we believe that dividends we pay on our ADSs will meet the conditions required for the reduced tax rate. Since we do not expect that our ordinary shares will be listed on an established securities market, we do not believe that dividends that we pay on our ordinary shares that do not back ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance that our ADSs will continue to be considered readily tradable on an established securities market in later years. A qualified foreign corporation also includes a foreign corporation that is eligible for the benefits of certain income tax treaties with the United States. In the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we believe we would be eligible for the benefits of the income tax treaty between the United States and the PRC (including any protocol thereunder), or the Treaty, and if we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by ADSs or are readily tradable on an established securities market in the United States, would be eligible for the reduced rates of taxation. For discussion regarding whether we may be classified as a PRC resident enterprise, see “Item 10. Additional Information—E. Taxation—People’s Republic of China Taxation.” Even if dividends would be treated as paid by a qualified foreign corporation, non-corporate United States Holders will not be eligible for reduced rates of taxation if they do not hold our ADSs or ordinary shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date or to the extent that such United States Holders elect to treat the dividend income as “investment income” under the Code. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of these rules given your particular circumstances.

Non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a passive foreign investment company, or PFIC, for United States federal income tax purpose for the taxable year in which such dividends are paid or for the preceding taxable year.

In the event that we are deemed to be a PRC resident enterprise under the PRC tax law, you may be subject to PRC withholding taxes on dividends paid to you with respect to the ADSs or ordinary shares. See “Item 10. Additional Information—E. Taxation—People’s Republic of China Taxation.” In that case, PRC withholding taxes on dividends (limited, in the case of a U.S. holder who qualifies for the benefits of the Treaty, to the extent not exceeding the applicable dividend withholding rate under the Treaty), generally will be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the ADSs or ordinary shares will be treated as foreign-source income and generally will constitute passive category income. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the ADSs or ordinary shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of the ADSs or ordinary shares), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. However, we do not expect to calculate our earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution generally will be treated as a dividend (as discussed above).

Passive Foreign Investment Company

In general, we will be a PFIC for any taxable year in which:

- at least 75% of our gross income is passive income, or
- at least 50% of the average value (determined on a quarterly basis) of our assets produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, royalties and rents. Furthermore, cash is categorized as a passive asset and our unbooked intangibles associated with active business activities (including goodwill) may generally be taken into account and classified as active assets. In estimating the value of our goodwill, we generally take into account our market capitalization. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation’s assets and receiving our proportionate share of the other corporation’s income.

Based on our current income and assets and the value of our ADSs and ordinary shares, we do not believe that we were a PFIC for our taxable year ended December 31, 2018. With respect to our 2019 taxable year and foreseeable future taxable years, and subject to the uncertainty regarding the treatment of our contractual arrangements with our consolidated affiliated entities (discussed below), we presently do not anticipate that we will be a PFIC based upon the expected composition of our income and assets and the expected value of our assets, including goodwill (determined, in part, based on the price of our ADSs and ordinary shares). The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC for our 2019 taxable year or any future taxable year due to changes in our asset or income composition or the value of our assets. Because the value of our assets may be determined by reference to our market capitalization, and because the market price of our ADSs and ordinary shares may be volatile, a decrease in the price of our ADSs may also result in our becoming a PFIC. Under circumstances where the cash is not deployed for active purposes, our risk of becoming a PFIC may increase. In addition, although the law in this regard is not entirely clear, we treat Our VIEs as being owned by us for United States federal income tax purposes because we control its management decisions and we are entitled to substantially all of its economic benefits and, as a result, we consolidate its results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of Our VIE for United States federal income tax purposes, we could be treated as a PFIC for taxable years ending after the date of our initial public offering.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, we generally will continue to be treated as a PFIC as to you for all succeeding taxable years during which you hold our ADSs or ordinary shares, and you will be subject to the special tax rules discussed below, except if you have made a mark-to-market election as discussed below. However, if we are a PFIC for any taxable year and subsequently cease to be a PFIC, you can avoid the continuing impact of the PFIC rules by making a special election, or a Purging Election, to recognize gain (but not loss) in the manner described below as if your ADSs or ordinary shares had been sold on the last day of the last taxable year during which we were a PFIC. After the Purging Election, your ADSs or ordinary shares will not be treated as shares in a PFIC unless we subsequently become a PFIC. You are urged to consult your own tax advisors about the availability of this election, and whether making the election would be advisable in your particular circumstances.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, you will be subject to special tax rules with respect to any “excess distribution” received and any gain realized from a sale or other disposition, including a Purging Election or pledge, of ADSs or ordinary shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC with respect to you, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares and any of our non-United States subsidiaries is also a PFIC, a United States Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. A disposition of shares in, or a distribution by, any of our subsidiaries that is a PFIC will trigger the excess distributions rules described above. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

In lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded on a qualified exchange. Under current law, the mark-to-market election will be available to holders of ADSs as long as the ADSs are listed on the Nasdaq Global Market, which constitutes a qualified exchange, and are “regularly traded” for purposes of the mark-to-market election (for which no assurance can be given). It should also be noted that only the ADSs and not the ordinary shares, are listed on the Nasdaq Global Market. Consequently, if you are a holder of ordinary shares that are not represented by ADSs, you generally will not be eligible to make a mark-to-market election if we are or were to become a PFIC.

If you make an effective mark-to-market election, you will include in each year that we are a PFIC as ordinary income the excess of the fair market value of your ADSs at the end of the year over your adjusted tax basis in the ADSs. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, any gain you recognize upon the sale or other disposition of your ADSs will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

Your adjusted tax basis in the ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ADSs are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

A U.S. investor in a PFIC generally can mitigate the adverse consequences of the excess distribution rules described above by electing to treat the PFIC as a “qualified electing fund” under the Code. However, this option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election.

We expect to file annual reports on Form 20-F with the U.S. Securities and Exchange Commission in which we will indicate whether or not we believe we were a PFIC for the relevant taxable year. We do not intend to make any other annual determination or otherwise notify you regarding our status as a PFIC for any taxable year. You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding ADSs or ordinary shares if we are considered a PFIC in any taxable year.

A United States Holder that owns (or is deemed to own) ordinary shares in a PFIC during any taxable year of the United States Holder may have to file an IRS Form 8621 (whether or not a mark-to-market election is or has been made) with such United States Holder’s U.S. federal income tax return and provide such other information as may be required by the U.S. Treasury Department.

The rules dealing with PFICs and the mark-to-market election are complex and are affected by various factors in addition to those described above. Accordingly, United States Holders of our ordinary shares and ADSs should consult their own tax advisors concerning the application of the PFIC rules to our ordinary shares and ADSs under their particular circumstances.

Taxation of Capital Gains

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange of ADSs or ordinary shares in an amount equal to the difference between the amount realized for the ADSs or ordinary shares and your tax basis in the ADSs or ordinary shares. Subject to the discussion under “—Passive Foreign Investment Company” above, such gain or loss will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Any gain or loss recognized by you generally will be treated as United States source gain or loss. However, if we are treated as a PRC resident enterprise for PRC tax purposes and PRC tax were imposed on any gain, and if you are eligible for the benefits of the Treaty, you may elect to treat such gain as PRC source gain under the Treaty and, accordingly, you may be able to credit the PRC tax against your United States federal income tax liability. If you are not eligible for the benefits of the Treaty or you fail to make the election to treat any gain as PRC source, then you generally would not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of our ADSs or ordinary shares unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. You will be eligible for the benefits of the Treaty if, for purposes of the Treaty, you are a resident of the United States, and you meet other factual requirements specified in the Treaty. Because qualification for the benefits of the Treaty is a fact-intensive inquiry which depends upon the particular circumstances of each investor, you are specifically urged to consult your tax advisors regarding your eligibility for the benefits of the Treaty. You are also urged to consult your tax advisor regarding the tax consequences if PRC tax is imposed on the gain on a disposition of our ordinary shares or ADSs, including the availability of the foreign tax credit and the election to treat any gain as PRC source under your particular circumstances.

Foreign Asset Reporting

Certain United States Holders who are individuals (and under proposed regulations, certain entities) may be required to report information relating to an interest in our ordinary shares or ADSs, subject to certain exceptions (including an exception for shares held in accounts maintained by U.S. financial institutions) on IRS Form 8938. United States Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our ordinary shares or ADSs.

F. Dividends and paying agents.

Not applicable.

G. Statement by experts.

Not applicable.

H. Documents on display.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are not subject to the insider short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act.

All information that we have filed with the SEC can be accessed through the SEC's website at www.sec.gov. This information can also be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms.

We intend to furnish the depositary with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meeting and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our written request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

In accordance with Nasdaq Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at ir.ccjmu.com. In addition, we will provide hard copies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information.

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Foreign Exchange Risk

Substantially all of our revenues and expenses are denominated in RMB. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the RMB because the value of our business is effectively denominated in RMB, while the ADSs will be traded in U.S. dollars.

The value of the RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. To the extent that we need to convert U.S. dollars we receive from our initial public offering into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amounts available to us.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We generated interest income of US\$26.1 thousand for the years ended December 31, 2016, and had interest expense of US\$0.4 million and US\$0.9 million for the years ended December 31, 2017 and 2018, respectively. We had cash and cash equivalents of US\$0.4 million as of December 31, 2018. Assuming such amount of cash and cash equivalents are held entirely in interest-bearing bank deposits, a hypothetical one percentage point (100 basis-point) decrease in interest rates would decrease our interest income from these interest-bearing bank deposits for one year by approximately US\$3.6 thousand. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.

A. Debt Securities.

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares.

Fees and Charges Our ADS Holders May Have to Pay

Citibank, N.A. is our depositary. The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing ordinary shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

An ADS holder will be required to pay the following fees under the terms of the deposit agreement:

Services:		Fees:
• Issuance of ADSs upon deposit of shares (excluding issuances as a result of distributions of shares)		Up to US\$0.05 per ADS issued
• Cancellation of ADSs		Up to US\$0.05 per ADS cancelled
• Distribution of cash dividends or other cash distributions (i.e., sale of rights and other entitlements)		Up to US\$0.05 per ADS held
• Distribution of ADSs pursuant to (i) stock dividends or other fee stock distributions, or (ii) exercise of rights to purchase additional ADSs		Up to US\$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs (i.e., spin-off shares)		Up to US\$0.05 per ADS held
• ADS Services		Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary

Fees and Other Payments Made by the Depositary to Us

The depositary has agreed to reimburse us for expenses we incur that are related to the establishment and maintenance of the ADR program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not linked to the amounts of fees the depositary collects from investors. We have received US\$0.09 million from the depositary until the date of this annual report.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.

None.

ITEM 14E. USE OF PROCEEDS.

The following “Use of Proceeds” information relates to the registration statement on Form F-1 (File No. 333-201413) for our initial public offering of 4,000,000 ADSs, which became effective on March 31, 2015. We received net proceeds of approximately US\$37.3 million from our initial public offering, which we have already all applied to our operations thereafter.

ITEM 15. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with the U.S. generally accepted accounting principles.

After our acquisition of JMU HK, the scope of our internal controls over financial reporting was also enlarged significantly. We also performed a related assessment based on this new control environment and change in scope.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, management used the framework set forth in the report Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication and (v) monitoring.

Based on that evaluation, our management concluded that these controls were effective on December 31, 2018.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of our registered public accounting firm pursuant to the transition periods established by rules of the SEC for an emerging growth company.

Changes in Internal Control over Financial Reporting

There was one material weaknesses in internal control over financial reporting during our preparation of the financial statements for the year ended December 31, 2015 which was remediated as of December 31, 2017. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified related to the lack of accounting personnel with appropriate knowledge of accounting principles generally accepted in the United States of America, or U.S. GAAP.

In 2018, we implemented measures designed to improve our internal control over financial reporting to remediate this material weakness, including the following:

- increasing the number of qualified financial reporting personnel;
- improving the capabilities of existing financial reporting personnel through training and education in accounting and reporting requirements under GAAP and SEC rules and regulations;
- involving professional personnel to review the period-end closing process;
- developing, communicating and implementing an accounting policy manual for our financial reporting personnel for recurring transactions and period-end closing processes; and
- establishing effective monitoring and oversight controls for non-recurring and complex transactions to ensure the accuracy and completeness of our condensed consolidated financial statements and related disclosures.

We believe that the measures taken above enhanced our internal control over financial reporting and were sufficient to remediate the material weakness identified. However, there is no guarantee that our remediation efforts will result in the attestation from our independent registered public accounting firm, if required, that our internal control over financial reporting is effective as of December 31, 2018.

ITEM 16.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

Our board of directors has determined that Mr. Tianruo (Robert) Pu, chairman of our audit committee, meets the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC and meets the criteria for independence set forth in Rule 10A-3 under the Exchange Act.

ITEM 16B. CODE OF ETHICS.

Our board of directors has adopted a code of business conduct and ethics which is applicable to our directors, officers and employees. Our code of business conduct and ethics has been filed as an exhibit to our registration statement on Form F-1 (File No. 333-201413) initially filed with the SEC on January 9, 2015.

ITEM 17C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by our principal external accounting firms.

	For the Year Ended December 31,	
	2017	2018
	(in US\$ thousands)	
Audit fees ⁽¹⁾	623	703
Total	623	703

(1) "Audit fees" means the aggregate fees billed in each of the fiscal years for professional services rendered by our principal external auditors for the audit of our annual consolidated financial statements and assistance with review of documents filed with the SEC and other statutory and regulatory filings.

The policy of our audit committee is to pre-approve all auditing and non-auditing services permitted to be performed by our independent registered public accounting firm.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT.

On April 1, 2019, we dismissed Ernst & Young Hua Ming LLP, or Ernst & Young, as our independent registered public accounting firm. The decision was not made due to any disagreements with Ernst & Young. Effective from April 4, 2019, we appointed Michael T Studer CPA P.C. (the Studer Group), or Michael T Studer, as our new independent registered public accounting firm. The change of our independent registered public accounting firm was approved by the audit committee of our board.

Ernst & Young's audit reports on our consolidated financial statements as of December 31, 2017 and for each of the years ended December 31, 2017 and 2016 did not contain an adverse opinion or a disclaimer of opinion and were not qualified.

During each of the years ended December 31, 2016, 2017 and 2018 and the subsequent interim period through April 1, 2019, there were (i) no disagreements between us and Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, any of which, if not resolved to Ernst & Young's satisfaction, would have caused Ernst & Young to make reference thereto in their reports, and (ii) no "reportable events" requiring disclosure pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F in connection with our annual report on Form 20-F.

We provided Ernst & Young with a copy of the disclosures from the first paragraph to the third paragraph under this Item 16F and requested from Ernst & Young a letter addressed to the Securities and Exchange Commission indicating whether it agrees with such disclosures. A copy of Ernst & Young's letter dated June 28, 2019 is attached as Exhibit 15.1.

During each of the years ended December 31, 2016, 2017 and 2018 and the subsequent interim period through April 1, 2019, neither we nor anyone on behalf of us has consulted with Michael T Studer regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report nor oral advice was provided to us that Michael T Studer concluded was an important factor considered by us in reaching a decision as to any accounting, auditing, or financial reporting issue, (ii) any matter that was the subject of a disagreement pursuant to Item 16F(a)(1)(iv) of the instructions to Form 20-F, or (iii) any reportable event pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F.

After considering all the facts and circumstances, our audit committee determined that Michael T Studer would be capable of exercising objective and impartial judgment in connection with the audits of our financial statements.

Therefore, with respect to the independence matter described above, we concluded that a reasonable investor with knowledge of all relevant facts and circumstances would conclude that Michael T Studer was and would be capable of exercising objective and impartial judgment in connection with the audits of our financial statement for the fiscal year ended December 31, 2018 and future periods.

ITEM 16G. CORPORATE GOVERNANCE.

We are incorporated in the Cayman Islands and our corporate governance practices are governed by applicable Cayman Islands law. In addition, because our ADSs are listed on The Nasdaq Global Market, we are subject to Nasdaq's corporate governance requirements. Nasdaq Stock Market Rule 5615(a)(3) permits a foreign private issuer like us to follow home country practices in lieu of certain requirements of Rule 5600, provided that such foreign private issuer discloses in its annual report filed with the SEC each requirement of Rule 5600 that it does not follow and describes the home country practice followed in lieu of such requirement.

Nasdaq Marketplace Rule 5615(a)(3) permits a foreign private issuer like us to follow home country practices in lieu of certain requirements of Rule 5600, provided that such foreign private issuer discloses in its annual report filed with the SEC each requirement of Rule 5600 that it does not follow and describes the home country practice followed in lieu of such requirement.

We have informed Nasdaq that we will follow home country practice in place of all of the requirements of Rule 5600 other than those rules which we are required to follow pursuant to the provisions of Rule 5615(a)(3).

- Rule 5605(b), pursuant to which (i) a majority of the board of directors must be comprised of Independent Directors, and (ii) the Independent Directors must have regularly scheduled meetings at which only Independent Directors are present.

- Rule 5605(c) (other than those parts as to which the home country exemption is not applicable), pursuant to which each company must have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom must meet criteria set forth in Rule 5605(c)(2) (A).

- Rule 5605(d), pursuant to which each company must (i) certify that it has adopted a formal written compensation committee charter and that the compensation committee will review and reassess the adequacy of the formal written charter on an annual basis, and (ii) have a compensation committee of at least two members, each of whom must be an Independent Director.
- Rule 5605(e), pursuant to which director nominees must be selected, or recommended for the Board's selection, either by Independent Directors constituting a majority of the Board's Independent Directors in a vote in which only Independent Directors participate, or a nominations committee comprised solely of Independent Directors.
- Rule 5610, pursuant to which each company shall adopt a code of conduct applicable to all directors, officers and employees.
- Rule 5620(a), pursuant to which each company listing common stock or voting preferred stock, or their equivalents, shall hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year-end.
- Rule 5620(b), pursuant to which each company shall solicit proxies and provide proxy statements for all meetings of shareholders and shall provide copies of such proxy solicitation to Nasdaq.
- Rule 5620(c), pursuant to which each company that is not a limited partnership shall provide for a quorum as specified in its by-laws for any meeting of the holders of common stock; provided, however, that in no case shall such quorum be less than $33\frac{1}{3}\%$ of the outstanding shares of the company's common voting stock.
- Rule 5630, pursuant to which each company that is not a limited partnership shall conduct an appropriate review and oversight of all related party transactions for potential conflict of interest situations on an ongoing basis by the company's audit committee or another independent body of the board of directors.
- Rule 5635(a), pursuant to which shareholder approval is required in certain circumstances prior to an issuance of securities in connection with the acquisition of the stock or assets of another company.
- Rule 5635(b), pursuant to which shareholder approval is required prior to the issuance of securities when the issuance or potential issuance will result in a change of control of the company.
- Rule 5635(c), pursuant to which shareholder approval is required prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees, or consultants, subject to certain exceptions.
- Rule 5635(d), pursuant to which shareholder approval is required prior to the issuance of securities in connection with a transaction other than a public offering involving:
 - o the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable for common stock) at a price less than the greater of book or market value which together with sales by officers, directors or Substantial Shareholders of the company equals 20% or more of common stock or 20% or more of the voting power outstanding before the issuance; or
 - o the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable common stock) equal to 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS.

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS.

Our consolidated financial statements are included at the end of this annual report.

ITEM 19. EXHIBITS.

Exhibit No.	Description of Exhibit
<u>1.1</u>	<u>Fourth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to exhibit 3.1 to our F-1 registration statement (File No. 333-201413) initially filed with the SEC on January 9, 2015)</u>
<u>2.1</u>	<u>Deposit Agreement by and among the Registrant and Citibank, N.A., as Depositary, and the Holders and Beneficial Owners of the American Depositary Shares issued thereunder, dated as of April 13, 2015 (incorporated by reference to exhibit 4.3 to our S-8 registration statement (File No. 333-206466) filed with the SEC on August 19, 2015)</u>
<u>2.2</u>	<u>Specimen American Depositary Receipt (included in Exhibit 2.1)</u>
<u>3.3</u>	<u>Specimen Certificate for Ordinary Shares (incorporated by reference to exhibit 4.2 to our F-1 registration statement (File No. 333-201413) initially filed with the SEC on January 9, 2015)</u>
<u>4.1</u>	<u>Amended and Restated 2011 Share Incentive Plan (incorporated by reference to exhibit 10.1 to our S-8 registration statement (File No. 333-206466) filed with the SEC on August 19, 2015)</u>
<u>4.2</u>	<u>Master Exclusive Service Agreement, dated as of May 13, 2015, by and among Shanghai Zhongming Supply Chain Management Co., Ltd., Shanghai Zhongmin Supply Chain Management Co., Ltd. and the shareholder of Shanghai Zhongmin Supply Chain Management Co., Ltd. (incorporated by reference to exhibit 4.10 to our annual report on Form 20-F filed with the SEC on April 29, 2016)</u>
<u>4.3</u>	<u>Business Cooperation Agreement, dated as of May 13, 2015, by and among Shanghai Zhongming Supply Chain Management Co., Ltd., Shanghai Zhongmin Supply Chain Management Co., Ltd. and the shareholder of Shanghai Zhongmin Supply Chain Management Co., Ltd. (incorporated by reference to exhibit 4.11 to our annual report on Form 20-F filed with the SEC on April 29, 2016)</u>
<u>4.4</u>	<u>Exclusive Option Agreement, dated as of May 13, 2015, by and among Shanghai Zhongming Supply Chain Management Co., Ltd., Shanghai Zhongmin Supply Chain Management Co., Ltd. and the shareholder of Shanghai Zhongmin Supply Chain Management Co., Ltd. (incorporated by reference to exhibit 4.12 to our annual report on Form 20-F filed with the SEC on April 29, 2016)</u>
<u>4.5</u>	<u>Equity Interest Pledge Agreement, dated as of May 13, 2015, by and among Shanghai Zhongming Supply Chain Management Co., Ltd., Shanghai Zhongmin Supply Chain Management Co., Ltd. and the shareholder of Shanghai Zhongmin Supply Chain Management Co., Ltd. (incorporated by reference to exhibit 4.13 to our annual report on Form 20-F filed with the SEC on April 29, 2016)</u>
<u>4.6</u>	<u>Proxy Agreement and Power of Attorney, dated as of May 13, 2015, by and among Shanghai Zhongming Supply Chain Management Co., Ltd., Shanghai Zhongmin Supply Chain Management Co., Ltd. and the shareholder of Shanghai Zhongmin Supply Chain Management Co., Ltd. (incorporated by reference to exhibit 4.14 to our annual report on Form 20-F filed with the SEC on April 29, 2016)</u>
<u>4.7</u>	<u>Registration Rights Agreement, dated as of June 8, 2015, by and among the Registrant, New Admiral Limited, Zhejiang Sunward Fishery Restaurant Group Share Co., Ltd., Junhe Investment Pte. Ltd., Shanghai Zhong Ju Investment Management Center, Extensive Power Limited, Global Oriental Development Limited, Asia Global Develop Limited, Markland (Hong Kong) Investment Limited, Markland (Hong Kong) Planning Limited, Youlong Huang, Ning Lin, Wai Poon, Gang Wang, Guoping Wu, New Field Worldwide Ltd., Link Crossing Limited, Blue Ivy Holdings Limited and Maodong Xu (incorporated by reference to exhibit 99.8 to the Schedule 13D (File No. 005-88838) filed with the SEC on September 21, 2015)</u>

<u>4.8</u>	<u>Working Capital Provision Agreement, dated as of May 25, 2017, by and between the Registrant, Xiaoxia Zhu and Huimin Wang, (incorporated by reference to exhibit 4.16 of our annual report on Form 20-F filed with the SEC on May 26, 2017)</u>
<u>4.9</u>	<u>Supplemental Agreement, dated as of December 28, 2016, by and among Shanghai Zhongming Supply Chain Management Co., Ltd., Shanghai Zhongmin Supply Chain Management Co., Ltd. and Shanghai Zhongmin Investment and Development Group Co., Ltd. (formerly known as Shanghai Zhongmin Investment and Development Group Co., Ltd.) (incorporated by reference to exhibit 4.18 of our annual report on Form 20-F filed with the SEC on May 26, 2017)</u>
<u>4.10</u>	<u>Financial Support Letter, dated as of May 18, 2017, from the Registrant to Shanghai Zhongmin Supply Chain Management Co., Ltd. (incorporated by reference to exhibit 4.19 of our annual report on Form 20-F filed with the SEC on May 26, 2017)</u>
<u>4.11</u>	<u>Working Capital Provision Agreement, dated as of April 23, 2018, by and between the Registrant, Xiaoxia Zhu and Huimin Wang (incorporated by reference to exhibit 4.15 of our annual report on Form 20-F filed with the SEC on April 24, 2018)</u>
<u>4.12*</u>	<u>Financial Support Letter, dated as December 31, 2018, from the Registrant to Shanghai Zhongmin Supply Chain Management Co., Ltd.</u>
<u>4.13*</u>	<u>Financial Support Letter, dated as December 31, 2018, from Ms. Xiaoxia Zhu to the Registrant</u>
<u>4.14*</u>	<u>Exclusive Business Operation Agreement, dated as of May 17, 2019, by and among Beijing Lianji Future Technology Co., Ltd., Beijing Lianji Technology Co., Ltd. and the shareholders of Beijing Lianji Technology Co., Ltd.</u>
<u>4.15*</u>	<u>Exclusive Option Agreement, dated as of May 17, 2019, by and among Beijing Lianji Future Technology Co., Ltd., Beijing Lianji Technology Co., Ltd. and the shareholders of Beijing Lianji Technology Co., Ltd.</u>
<u>4.16*</u>	<u>Equity Interest Pledge Agreement, dated as of May 17, 2019, by and among Beijing Lianji Future Technology Ltd., Beijing Lianji Technology Co., Ltd. and the shareholders of Beijing Lianji Technology Co., Ltd.</u>
<u>4.17*</u>	<u>Power of Attorney, dated as of May 17, 2019, by each shareholder of Beijing Lianji Technology Co., Ltd.</u>
<u>4.18*</u>	<u>Share Purchase Agreement, dated as of May 21, 2019, by and among the Registrant, Mr. Haohan Xu and Unicom Investment Limited</u>
<u>4.19*</u>	<u>Registration Rights Agreement, dated as of May 21, 2019, by and between the Registrant and Mr. Haohan Xu</u>
<u>8.1*</u>	<u>List of Subsidiaries of the Registrant</u>
<u>11.1</u>	<u>Code of Business Conduct and Ethics of the Registrant (incorporated by reference to exhibit 99.1 to our F-1 registration statement (File No. 333-201413) initially filed with the SEC on January 9, 2015)</u>
<u>12.1*</u>	<u>Certification of Chief Executive Officer Pursant to Section 302 of the Sarbanes - Oxley Act of 2002</u>
<u>12.2*</u>	<u>Certification of Chief Financial Officer Pursant to Section 302 of the Sarbanes - Oxley Act of 2002</u>
<u>13.1**</u>	<u>Certification of Chief Executive Officer Pursant to Section 906 of the Sarbanes - Oxley Act of 2002</u>
<u>13.2**</u>	<u>Certification of Chief Financial Officer Pursant to Section 906 of the Sarbanes - Oxley Act of 2002</u>
<u>15.1*</u>	<u>Letter from Ernst & Young Hua Ming LLP to the SEC</u>
<u>15.2*</u>	<u>Consent of Ernst & Young Hua Ming LLP</u>
<u>15.3*</u>	<u>Consent of Michael T Studer CPA P.C.</u>
<u>15.4*</u>	<u>Consent of Beijing Dacheng Law Offices, LLP (Shanghai)</u>
<u>15.5*</u>	<u>Consent of Maples and Calder (Hong Kong) LLP</u>
<u>101.INS*</u>	<u>XBRL Instance Document.</u>
<u>101.SCH*</u>	<u>XBRL Taxonomy Extension Schema Document.</u>
<u>101.CAL*</u>	<u>XBRL Taxonomy Extension Calculation Linkbase Document.</u>
<u>101.DEF*</u>	<u>XBRL Taxonomy Extension Definition Linkbase Document.</u>
<u>101.LAB*</u>	<u>XBRL Taxonomy Extension Labels Linkbase Document.</u>
<u>101.PRE*</u>	<u>XBRL Taxonomy Extension Presentation Linkbase Document.</u>

* Filed herewith

** Furnished herewith

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

JMU LIMITED

By: /s/ Xiaoxia Zhu
Name: Xiaoxia Zhu
Title: Chief Executive Officer

Date: June 28, 2019

JMU LIMITED

FORMERLY KNOWN AS WOWO LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

JMU LIMITED

FORMERLY KNOWN AS WOWO LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of JMU Limited (formerly known as Wowo Limited):

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of JMU Limited (formerly known as Wowo Limited) (the "Company") as of December 31, 2018, the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Going Concern Matter

The accompanying financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's present financial situation raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Michael T. Studer CPA P.C.

Michael T. Studer CPA P.C.

Freeport, New York, USA

June 28, 2019

We have served as the Company's auditor since 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of JMU Limited (formerly known as Wowo Limited):

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of JMU Limited (formerly known as Wowo Limited) (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young Hua Ming LLP
Shanghai, the People's Republic of China

April 24, 2018

JMU LIMITED
FORMERLY KNOWN AS WOWO LIMITED
CONSOLIDATED BALANCE SHEETS
(In U.S. dollars, except for number of shares and per share (or ADS) data)

		As of December 31,	
	Note	2017	2018
ASSETS:			
Current assets:			
Cash and cash equivalents		4,912,170	356,673
Accounts receivable, net of allowance of \$nil and \$295,472 as of December 31, 2017 and 2018	5	3,295,818	176,120
Inventories		538,660	585,760
Prepaid expenses and other current assets, net	6	2,245,788	1,121,495
Amounts due from related parties, net of allowance for \$nil and \$676,476 as of December 31, 2017 and 2018	18	3,062,797	2,378,709
Total current assets		14,055,233	4,618,757
Non-current assets:			
Property and equipment, net	7	1,795,233	406,021
Acquired intangible assets, net	8	10,263,941	-
Investment	9	768,486	-
Goodwill	10	108,940,433	-
Deferred tax assets	13	156,782	-
Other non-current assets		161,723	-
Total non-current assets		122,086,598	406,021
TOTAL ASSETS		136,141,831	5,024,778
LIABILITIES AND SHAREHOLDER'S EQUITY :			
Current liabilities:			
Short-term bank borrowings (including short-term bank borrowings of VIE without recourse to the Company of \$7,684,859 and \$7,272,198 as of December 31, 2017 and 2018, respectively)	11	7,684,859	7,272,198
Accounts and notes payable (including accounts and notes payable of VIE without recourse to the Company of \$3,980,560 and \$540,899 as of December 31, 2017 and 2018, respectively)		3,980,826	542,732
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of VIE without recourse to the Company of \$8,345,461 and \$5,336,699 as of December 31, 2017 and 2018, respectively)	12	9,292,260	6,916,744
Advance from customers (including advance from customers of VIE without recourse to the Company of \$1,243,739 and \$422,702 as of December 31, 2017 and 2018, respectively)		1,243,739	422,816
Amounts due to related parties (including amounts due to related parties of VIE without recourse to the Company of \$87,385 and \$3,311,752 as of December 31, 2017 and 2018, respectively)	18	603,883	5,134,709
Total current liabilities		22,805,567	20,289,199

JMU LIMITED
FORMERLY KNOWN AS WOWO LIMITED
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(In U.S. dollars, except for number of shares and per share (or ADS) data)

		As of December 31,	
	Note	2017	2018
LIABILITIES AND SHAREHOLDER'S EQUITY (CONTINUED):			
Non-current liabilities:			
Other non-current liabilities (including other non-current liabilities of VIE without recourse to the Company of \$1,386,749 and \$nil as of December 31, 2017 and 2018, respectively)		1,534,449	29,540
Deferred tax liabilities (including deferred tax liabilities of the VIE without recourse to the Company of \$nil and \$nil as of December 31, 2017 and 2018, respectively)	13	2,565,985	-
Amount due to related parties (including amount due to related parties of the VIE without recourse to the Company of \$5,685,971 and \$6,892,316 as of December 31, 2017 and 2018, respectively)	18	5,685,971	6,892,316
Total non-current liabilities		9,786,405	6,921,856
TOTAL LIABILITIES		32,591,972	27,211,055
Commitments and contingencies	19		
Shareholders' equity:			
Ordinary shares (\$0.00001 par value; 1,476,208,670 shares authorized, 1,476,208,670 shares issued and outstanding as of December 31, 2017 and 2018)	14	14,766	14,768
Additional paid-in capital		634,070,842	634,016,215
Accumulated deficit		(513,903,256)	(637,143,041)
Accumulated other comprehensive loss		(16,632,493)	(19,074,219)
Total shareholders' equity/(deficit)		103,549,859	(22,186,277)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		136,141,831	5,024,778

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

JMU LIMITED
FORMERLY KNOWN AS WOWO LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(In U.S. dollars, except for number of shares and per share (or ADS) data)

		For the years ended December 31,		
	Note	2016	2017	2018
Revenues				
Related parties	18	10,078,276	17,485,226	10,873,060
Third parties		63,122,885	71,251,323	25,582,236
Total revenues		73,201,161	88,736,549	36,455,296
Cost of revenues		(72,856,808)	(88,187,781)	(35,579,218)
Gross profit		344,353	548,768	876,078
Operating expenses:				
Selling and marketing (including share-based compensation of \$680,124, \$538,897 for the years ended December 31, 2016 and 2017, respectively and reversal of \$241,150 for the year ended December 31, 2018)		(20,405,602)	(15,206,658)	(5,792,802)
General and administrative (including share-based compensation of \$417,419, \$528,889 and \$184,445 for the years ended December 31, 2016, 2017 and 2018, respectively)		(7,530,851)	(6,696,601)	(4,303,062)
Impairment loss		-	(147,018,425)	(115,178,704)
Total operating expenses		(27,936,453)	(168,921,684)	(125,274,568)
Loss from operations		(27,592,100)	(168,372,916)	(124,398,490)
Interest income/(expense), net		26,147	(411,164)	(906,510)
Other income/(expense), net		39,351	27,921	(33,191)
Loss before provision for income taxes		(27,526,602)	(168,756,159)	(125,338,191)
Income tax benefits	13	2,233,457	6,857,180	2,098,406
Net loss		(25,293,145)	(161,898,979)	(123,239,785)

JMU LIMITED
 FORMERLY KNOWN AS WOWO LIMITED
 CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
 (In U.S. dollars, except for number of shares and per share (or ADS) data)

	Note	For the years ended December 31,		
		2016	2017	2018
Net loss attributable to holders of ordinary shares of JMU Limited		<u>(25,293,145)</u>	<u>(161,898,979)</u>	<u>(123,239,785)</u>
Net loss per ordinary share	17			
Basic		(0.02)	(0.11)	(0.08)
Diluted		(0.02)	(0.11)	(0.08)
Weighted average shares used in calculating net loss per ordinary share	17			
Basic		1,474,087,060	1,476,144,194	1,476,801,177
Diluted		1,474,087,060	1,476,144,194	1,476,801,177

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

JMU LIMITED
FORMERLY KNOWN AS WOWO LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In U.S. dollars, except for number of shares and per share (or ADS) data)

		For the years ended December 31,		
	Note	2016	2017	2018
Net loss		(25,293,145)	(161,898,979)	(123,239,785)
Other comprehensive (loss)/income, net of tax of \$nil:				
Change in cumulative foreign currency translation adjustment		(33,515,974)	15,975,288	(2,441,726)
Comprehensive loss		(58,809,119)	(145,923,691)	(125,681,511)

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

JMU LIMITED
FORMERLY KNOWN AS WOWO LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In U.S. dollars, except for number of shares and per share (or ADS) data)

	Ordinary shares		Additional paid-in capital	Subscription receivable	Accumulated deficit	Accumulated other comprehensive loss	Total JMU Limited shareholders' equity	Non controlling interests	Total shareholders' equity
	Number of Shares	Amount							
Balance as of January 1, 2016	1,476,208,670	14,447	630,469,782	-	(326,711,132)	908,193	304,681,290	-	304,681,290
Share options exercised (Note 14)	2,294,208	23	49,972	-	-	-	49,995	-	49,995
Restricted share units vested (Note 14)	28,639,900	286	(286)	-	-	-	-	-	-
Share-based compensation (Note 16)	-	-	1,097,543	-	-	-	1,097,543	-	1,097,543
Obligation to issue ordinary shares (Note 3)	-	-	1,377,503	-	-	-	1,377,503	-	1,377,503
Net loss	-	-	-	-	(25,293,145)	-	(25,293,145)	-	(25,293,145)
Other comprehensive loss	-	-	-	-	-	(33,515,974)	(33,515,974)	-	(33,515,974)
Settlement of share options exercised with shares held by depository bank (Note 14)	(30,934,108)	-	-	-	-	-	-	-	-
Balance as of December 31, 2016	1,476,208,670	14,756	632,994,514	-	(352,004,277)	(32,607,781)	248,397,212	-	248,397,212

JMU LIMITED
FORMERLY KNOWN AS WOWO LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
(In U.S. dollars, except for number of shares and per share (or ADS) data)

	Ordinary shares		Additional paid-in capital	Subscription receivable	Accumulated deficit	Accumulated other comprehensive loss	Total JMU Limited shareholders' equity	Non controlling interests	Total shareholders' equity
	Number of Shares	Amount							
Balance as of January 1, 2017	1,476,208,670	14,756	632,994,514	-	(352,004,277)	(32,607,781)	248,397,212	-	248,397,212
Share options exercised (Note 14)	1,042,002	10	8,542	-	-	-	8,552	-	8,552
Share-based compensation (Note 16)	-	-	1,067,786	-	-	-	1,067,786	-	1,067,786
Net loss	-	-	-	-	(161,898,979)	-	(161,898,979)	-	(161,898,979)
Other comprehensive income	-	-	-	-	-	15,975,288	15,975,288	-	15,975,288
Settlement of share options exercised with shares held by depository bank (Note 14)	(1,042,002)	-	-	-	-	-	-	-	-
Balance as of December 31, 2017	1,476,208,670	14,766	634,070,842	-	(513,903,256)	(16,632,493)	103,549,859	-	103,549,859

JMU LIMITED
FORMERLY KNOWN AS WOWO LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
(In U.S. dollars, except for number of shares and per share (or ADS) data)

	Ordinary shares		Additional paid-in capital	Subscription receivable	Accumulated deficit	Accumulated other comprehensive loss	Total JMU Limited shareholders' deficit	Non controlling interests	Total shareholders' deficit
	Number of Shares	Amount							
Balance as of January 1, 2018	1,476,208,670	14,766	634,070,842	-	(513,903,256)	(16,632,493)	103,549,859	-	103,549,859
Share options exercised (Note 14)	207,972	2	2,078	-	-	-	2,080	-	2,080
Share-based compensation (Note 16)	-	-	(56,705)	-	-	-	(56,705)	-	(56,705)
Net loss	-	-	-	-	(123,239,785)	-	(123,239,785)	-	(123,239,785)
Other comprehensive income	-	-	-	-	-	(2,441,726)	(2,441,726)	-	(2,441,726)
Settlement of share options exercised with shares held by depository bank (Note 14)	(207,972)	-	-	-	-	-	-	-	-
Balance as of December 31, 2018	<u>1,476,208,670</u>	<u>14,768</u>	<u>634,016,215</u>	<u>-</u>	<u>(637,143,041)</u>	<u>(19,074,219)</u>	<u>(22,186,277)</u>	<u>-</u>	<u>(22,186,277)</u>

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

JMU LIMITED
FORMERLY KNOWN AS WOWO LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. dollars, except for number of shares and per share (or ADS) data)

	For the years ended December 31,		
	2016	2017	2018
Cash flows from operating activities:			
Net loss	(25,293,145)	(161,898,979)	(123,239,785)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share-based compensation	1,097,543	1,067,786	(56,705)
Depreciation and amortization	8,900,192	8,626,844	1,508,862
Provision for doubtful accounts receivable	-	-	293,814
Provision for doubtful other receivables	-	584,956	281,624
Provision for doubtful amounts due from related parties			672,680
Impairment loss	-	147,018,425	115,178,704
Income tax benefits	(2,233,457)	(6,857,180)	(2,098,406)
Customer credits earned under the loyalty program to be settled in shares	1,377,503	-	-
Changes in operating assets and liabilities:			
Accounts receivable	1,936,461	(1,482,984)	2,753,995
Inventories	(142,273)	(288,361)	(79,091)
Prepaid expenses and other current assets	15,797,204	6,167,381	764,097
Amounts due from related parties	567,545	(2,730,537)	(1,452,565)
Other non-current assets	(158,469)	-	159,212
Accounts and notes payable	(1,436,785)	1,572,143	(3,354,430)
Accrued expenses and other current liabilities	(8,612,603)	(906,516)	(2,949,494)
Amounts due to related parties	1,474,304	(847,621)	8,769,658
Other non-current liabilities	899,594	100,895	(1,483,360)
Net cash used in operating activities	(5,826,386)	(9,873,748)	(4,331,190)
Cash flows from investing activities:			
Purchase of property and equipment	(1,860,321)	(741,079)	(13,064)
Payment for investment	(720,150)	-	-
Net cash used in investing activities	(2,580,471)	(741,079)	(13,064)

JMU LIMITED
FORMERLY KNOWN AS WOWO LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(In U.S. dollars, except for number of shares and per share (or ADS) data)

	For the years ended December 31,		
	2016	2017	2018
Cash flows from financing activities:			
Cash received/(Payment to) from related parties	-	5,089,207	1,686,123
Proceeds from/(Repayment to) short-term bank borrowings	-	7,553,366	-
Net cash provided by financing activities	-	12,642,573	1,686,123
Effect of exchange rate changes	(140,157)	279,538	(1,897,366)
Increase/(decrease) in cash and cash equivalents	(8,547,014)	2,307,284	(4,555,497)
Cash and cash equivalents, beginning of the year	11,151,900	2,604,886	4,912,170
Cash and cash equivalents, end of the year	2,604,886	4,912,170	356,673
Supplement disclosure of cash flow information:			
Interest paid	-	154,295	354,830

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

JMU LIMITED

FORMERLY KNOWN AS WOWO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

JMU Limited, formerly known as “Wowo Limited”, (the “Company”), was incorporated in Cayman Islands on July 13, 2011. The Company and its subsidiaries, variable interest entities (“VIEs”) and VIEs’ subsidiaries are primarily engaged in operating a business-to-business (“B2B”) online e-commerce platform that provides integrated services to suppliers and consumers in the catering industry in the People’s Republic of China (“PRC”).

On April 8, 2015, the Company completed its IPO in National Association of Securities Dealers Automated Quotation (“NASDAQ”) by offering 4 million American Depositary Shares (“ADSs”), representing 72 million ordinary shares, and received net proceeds of \$35.2 million. On April 27, 2015, the Company issued an additional 220,000 ADSs, representing 3.96 million of ordinary shares to the underwriter for exercising the over-allotment option at price of \$10 per ADS and received net proceeds of \$2.1 million.

On June 5, 2015, the Company and its wholly owned subsidiary, New Admiral Limited (“New Admiral”) entered into an agreement to acquire Join Me Group (HK) Investment Company Limited and its subsidiaries, variable interest entity (“VIE”) and VIE’s subsidiaries (Collectively, “JMU Group”) with a consideration of 741,422,780 ordinary shares of the Company and \$30 million in cash. On that date, JMU Group, which operates a business-to-business (“B2B”) online e-commerce platform that provides integrated services to suppliers and consumers in the catering industry, became a wholly owned subsidiary of the Company. JMU Group engages primarily in the sale of rice, flavor, bean oil, seafood, wine and some other types of generic food and beverage products through its website www.ccjoin.com.

On September 9, 2015, the Company sold all of its equity interests in Wowo Group Limited, a subsidiary of the Company, together with all of its subsidiaries and consolidated VIEs and their respective subsidiaries (collectively, the “Group Buying Entities”), which were engaged in the Company’s group buying business and other non-food service-related businesses. The sale was pursuant to a definitive agreement entered into between the Company and Century Winning Limited, an exempted company with limited liability incorporated under the laws of the British Virgin Islands (the “Buyer”), in exchange for the Buyer’s payment of \$1 and the assumption of \$47,390,420 of net liabilities of the Group Buying Entities.

On December 28, 2016, the Company changed its name from Wowo Limited to JMU Limited.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)

As of December 31, 2018, the Company's major subsidiaries, VIE and VIE's subsidiaries (collectively, the "Group") are as follows:

	Date of acquisition/ incorporation	Place of establishment/ incorporation	Percentage of legal ownership
Subsidiaries:			
New Admiral	April 27, 2015	Cayman Islands	100%
Join Me Group (HK) Investment Company Limited ("JMU Investment")	June 8, 2015	Hong Kong	100%
Join Me Group Supply Chain Management Company Limited ("JMU Supply Chain")	October 15, 2015	Hong Kong	100%
Shanghai Zhongming Supply Chain Management Co., Ltd. ("Shanghai Zhongming" or "WFOE")	June 8, 2015	PRC	100%
VIE:			
Shanghai Zhongmin Supply Chain Management Co., Ltd. ("Shanghai Zhongmin" or "VIE")	June 8, 2015	PRC	N/A

The VIE arrangements

The PRC laws and regulations currently place certain restrictions on foreign ownership of companies that engage in internet content and other restricted businesses. Specifically, foreign investors are not allowed to own more than 50% of the equity interests in any entity conducting internet content and other restricted businesses. To comply with these PRC laws and regulations, the Company conducts substantially its businesses through the VIE and VIE's subsidiaries. To provide the Company's control over the VIE and the rights to the expected residual returns of the VIE and VIE's subsidiaries, Shanghai Zhongming, a wholly foreign-invested enterprise in China, or WFOE entered into a series of contractual arrangements as described below with VIE and its shareholder.

Prior to the acquisition of JMU Group, JMU Group formed contractual arrangements through its wholly owned subsidiary Shanghai Zhongming with the VIE. As a result of the Company's acquisition of JMU Group, the Company through JMU's wholly owned subsidiary, Shanghai Zhongming, has (1) power to direct the activities of the VIE that most significantly affect the entity's economic performance and (2) the right to receive economic benefits of the VIE that could be significant to the VIE. Accordingly, the Company is considered the primary beneficiary of the VIE and has consolidated the VIE's financial results of operations, assets, and liabilities in the Company's consolidated financial statements. The Company also believes that this ability to exercise control ensures that the VIE will continue to execute and renew the exclusive consulting and services agreements and pay service fees to the Company. The ability to charge service fees in amounts determined at the Company's sole discretion, and by ensuring that the exclusive services agreements are executed and renewed indefinitely, the Company has the right to receive substantially all of the economic benefits from the VIE.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)

The VIE arrangements (continued)

The following is a summary of the various VIE agreements:

- ***Agreements that Transfers Economic Benefits and Risks to the Company***

Master Exclusive Service Agreement and Business Cooperation Agreement

Pursuant to the master exclusive service agreement and business cooperation agreement, VIE, including its subsidiaries or any companies or entities under its control, agrees to engage WFOE as its provider for technical and business support services. VIE shall pay to WFOE service fees determined based on the audited consolidated net profit of VIE. WFOE shall exclusively own any intellectual property arising from the performance of the services set forth in the agreement. WFOE shall provide financial support to VIE in the form of bank loans or others forms as permitted under the PRC laws. The service agreements shall remain effective upon the written confirmation issued by WFOE to VIE and/or its shareholder 30 days before the termination. VIE or its shareholder has no right to unilaterally terminate the agreement.

Subsequently, the Company entered into financial support undertaking letter with VIE and pursuant to the financial support undertaking letter, the Company is obligated and hereby undertakes to provide unlimited financial support to the VIE, to the extent permissible under the applicable PRC laws and regulations, whether or not any such operational loss is actually incurred. The Company will not request repayment of the loans or borrowings if the VIE or its shareholder does not have sufficient funds or are unable to repay.

- ***Agreements that Provide the Company with Effective Control over VIE***

Exclusive Option Agreement

The VIE's shareholder has entered into an exclusive option agreement with WFOE, pursuant to which WFOE has an exclusive option to purchase, or to designate other persons to purchase, to the extent permitted by applicable PRC laws, rules and regulations, all of the equity interest in VIE from the shareholder. The purchase price for the entire equity interest is to be the minimum price permitted by applicable PRC laws and administrative regulations. If there is no minimum price under PRC laws or administrative regulations, the price shall be determined by the WFOE or on a basis of the registration capital of VIE. The term of the exclusive option agreement shall remain effective upon written confirmation issued by the WFOE to VIE and its shareholder 30 days before the termination. VIE and its shareholder has no right to unilaterally terminate the agreement.

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FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)**The VIE arrangements (continued)****• Agreements that Provide the Company with Effective Control over VIE (continued)***Proxy and Power of Attorney Agreement*

The VIE's shareholder has signed an irrevocable proxy and power of attorney agreement to appoint WFOE, or its designee, as the attorney-in-fact to act on VIE's shareholder's behalf on all rights that the shareholder has in respect of such shareholder's equity interest in VIE conferred by relevant laws and regulations and the articles of association of VIE. The rights include but not limited to attending shareholders meeting, exercising voting rights and transferring all or a part of the equity interests of VIE held by the shareholder. The proxy and power of attorney shall remain effective upon written confirmation issued by WFOE to VIE and its shareholder 30 days before the termination. VIE and its Shareholder has no right to unilaterally terminate the agreement.

Equity Interest Pledge Agreement

The VIE's shareholder has entered into an equity pledge agreement with the WFOE, under which the shareholder pledged all of the equity interests in VIE to WFOE as collateral to secure performance of all obligations under the Master Exclusive Service Agreement, Business Cooperation Agreement, Proxy and Power of Attorney Agreement and the Exclusive Option Agreement (collectively, the "Principal Agreement"). The dividends generated by the pledged equity interests shall be deposited into the account designated by the WFOE and shall be used to pay the secured indebtedness prior and in preference to any other payment during the term of the pledge. If any event of default incurred under the Principal Agreement, WFOE, as the pledgee, will be entitled to dispose of the pledged equity interests and shall be paid in priority with the proceeds recovered from the disposal.

Risks in relation to the VIE structure

Assessing the legal validity and compliance of these above noted arrangements are a precursor to the Company's ability to consolidate the results of operations and financial condition of the VIE and VIE's subsidiaries. The Company, in consultation with its PRC legal counsel, believes that: (1) the ownership structure of the Group, including its PRC subsidiary, VIE and VIE's subsidiaries is in compliance with all existing PRC laws and regulations; (2) each of the VIE agreements amongst the WFOE, the VIE and VIE's shareholder governed by PRC laws, are legal, valid and binding, enforceable against such parties, and will not result in any violations of PRC laws or regulations currently in effects; and (3) the Group's PRC subsidiary, VIE and VIE's subsidiaries have the necessary corporate power and authority to conduct its business as described in its business scope under its business licenses, which is in full force and effect, and the Group's business operations in the PRC are in compliance with existing PRC laws and regulations. The shareholder of the VIE are also shareholders of the Company and therefore have no current interest in seeking to act contrary to the contractual arrangements. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements and if the shareholders were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)

Risks in relation to the VIE structure (continued)

The Company's ability to control the VIE also depends on the power of attorney. The Company, through WFOE, has to vote on all matters requiring shareholder approval in the VIE entities. As noted above, the Company believes this power of attorney is legally enforceable but may not be as effective as direct equity ownership.

In addition, if the legal structure and contractual arrangements were found to be in violation of any existing PRC laws and regulations, the PRC regulatory authorities could:

- revoke the Group's business and operating licenses;
- require the Group to discontinue or restrict its operations;
- restrict the Group's right to collect revenues;
- restrict or prohibit the Group to finance its business and operations in China;
- shut down the Group's servers or block the Group's website;
- require the Group to restructure its operations;
- impose additional conditions or requirements with which the Group might not be able to comply, levy fines, confiscate the Group's income or the income of its PRC subsidiary or affiliated PRC entities; or
- take other regulatory or enforcement actions against the Group that could be harmful to its business.

The imposition of any of these penalties could result in a material adverse effect on the Group's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIE, VIE's subsidiaries, or the right to receive their economic benefits, the Group would no longer be able to consolidate the VIE and VIE's subsidiaries. The Group does not believe that any penalties imposed or actions taken by the PRC government would result in the liquidation or dissolution of the Company, WFOE, the VIE and their respective subsidiaries.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018**1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)***Risks in relation to the VIE structure (continued)*

The following financial statement balances and amounts of the VIE and VIE's subsidiaries were included in the accompanying consolidated financial statements as follows after the elimination of intercompany balances and transactions among VIE and VIE's subsidiaries within the Group:

	As of December 31,	
	2017	2018
	US\$	US\$
Cash and cash equivalents	4,802,420	245,866
Accounts receivable, net	3,295,818	176,120
Inventories	538,660	585,760
Prepaid expenses and other current assets, net	1,881,988	1,007,406
Amounts due from related parties	3,062,797	4,038,884
Total current assets	13,581,683	6,054,036
Property and equipment, net	1,715,795	344,150
Investment	768,486	-
Other non-current assets	161,723	-
Total non-current assets	2,646,004	344,150
TOTAL ASSETS	16,227,687	6,398,186
Short-term bank borrowings	7,684,859	7,272,198
Accounts and notes payable	3,980,560	540,899
Accrued expenses and other current liabilities	8,345,461	5,336,699
Advance from customers	1,243,739	422,702
Amounts due to related parties	87,385	3,311,752
Total current liabilities	21,342,004	16,884,250
Other non-current liabilities	1,386,749	-
Amounts due to related parties	5,685,971	6,892,316
Total non-current liabilities	7,072,720	6,892,316
TOTAL LIABILITIES	28,414,724	23,776,566

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)*Risks in relation to the VIE structure (continued)*

	For the years ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Revenues	66,288,019	80,668,230	28,978,124
Net loss	(17,022,631)	(12,419,220)	(8,195,049)
	For the years ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Net cash provided by/(used in) operating activities	2,657,916	(9,152,256)	(6,241,888)
Net cash used in investing activities	(2,578,472)	(741,079)	(13,064)
Net cash provided by financing activities	-	12,642,573	1,686,123

The VIE contributed an aggregate of 90.6%, 90.9% and 79.5% of the consolidated revenues for the years ended December 31, 2016, 2017 and 2018, respectively. As of December 31, 2017 and 2018, the VIE accounted for an aggregate of 11.9% and 127.3%, respectively, of the consolidated total assets, and 87.2% and 87.4%, respectively, of the consolidated total liabilities. The assets not associated with the VIE primarily consist of certain cash and cash equivalents, certain prepaid expenses and other current assets and certain property and equipment. The recognized and unrecognized revenue-producing assets that are held by the VIE are primarily property and equipment and online platform.

There are no consolidated VIE's assets that are collateral for the VIE's obligations and can only be used to settle the VIE's obligations. There are no creditors (or beneficial interest holders) of the VIE that have recourse to the general credit of the Company or any of its consolidated subsidiaries. There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests that require the Company or its subsidiaries to provide financial support to the VIE. However, if the VIE ever need financial support, the Company's PRC subsidiary, WOFE, shall provide financial support to VIE in the form of bank loans or other forms as permitted under PRC law. Relevant PRC laws and regulations restrict the VIE from transferring a portion of their net assets, equivalent to the balance of its statutory reserve and its share capital, to the Company in the form of loans and advances or cash dividends. Please refer to Note 21 for disclosure of restricted net assets.

2. GOING CONCERN

The Group experienced a net loss of approximately \$25.3 million, \$161.9 million and \$123.2 million for the years ended December 31, 2016, 2017 and 2018, respectively, and negative cash flows from operations of approximately \$5.8 million, \$9.9 million and \$4.3 million for the years ended December 31, 2016, 2017 and 2018, respectively. As at 31 December 2018, the Group's current liabilities exceeded its current asset by \$15.7 million and there was a capital deficiency of \$22.2 million. These conditions raise substantial doubt about the Group's ability to continue as a going concern. However, management believes the Group has the ability to fulfill its financial obligations and will continue as a going concern because Ms. Xiaoxia Zhu ("Ms. Zhu") has agreed in writing to provide adequate funds during the period when she remains as director and chief executive officer of the Group to enable the Group to meet in full its financial obligations as they fall due through June 28, 2020.

The Group believes that it can realize its assets and satisfy its liabilities in the normal course of business with the financial support from Ms. Zhu. As a result, the consolidated financial statements have been prepared assuming the Group will continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and reclassification of assets and liabilities as that might be necessary if the Group is unable to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the U.S. generally accepted accounting principles ("US GAAP").

Principle of consolidation

The consolidated financial statements of the Group include the financial statements of the Company, its consolidated subsidiaries, VIE and VIE's subsidiaries for which the Company is the primary beneficiary. All significant inter-company transactions and balances have been eliminated upon consolidation.

Business combinations

Business combinations are recorded using the acquisition method of accounting. The assets acquired, the liabilities assumed, and any noncontrolling interest of the acquiree at the acquisition date, if any, are measured at their fair values as of that date. Goodwill is recognized and measured as the excess of the total consideration transferred plus the fair value of any noncontrolling interests of the acquiree, if any, at the acquisition date over the fair values of the identifiable net assets acquired.

Consideration transferred in a business acquisition is measured at the fair value as at the date of acquisition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Areas where management uses subjective judgment include, but are not limited to, provision for other receivables, estimating useful lives and impairment for property and equipment and acquired intangible assets, impairment of goodwill, valuation allowance for deferred tax assets and share-based compensation. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

Foreign currency

The functional and reporting currency of the Company is the United States dollar ("U.S. dollars", "US\$" or "\$"). The functional currency of the Company's subsidiary, New Admiral, is U.S. dollars. The functional currency of the Company's HK subsidiaries, JMU Investment and JMU Supply Chain, is Hong Kong dollars ("HK dollars"). The financial records of the Group's subsidiaries, VIE and VIE's subsidiaries located in the PRC are maintained in their local currencies, the Renminbi ("RMB"), respectively, which are also the functional currencies of these entities.

Transactions denominated in currencies other than the respective entities' functional currencies are re-measured into the functional currencies, in accordance with Accounting Standards Codification ("ASC") 830 ("ASC 830") *Foreign Currency Matters*, at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are re-measured into the functional currencies at the exchange rates prevailing at the balance sheet date. All foreign exchange gains or losses are included in the consolidated statements of operations.

Assets and liabilities are translated to the reporting currency at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of consolidated statements of comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and demand deposits placed with banks or other financial institutions which are unrestricted as to withdrawal and use and have original maturities less than three months.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable, net of allowance

Accounts receivable represents those receivables derived in the ordinary course of business, carried at net realizable value.

The Group maintains an allowance for doubtful accounts for estimated losses on uncollected accounts receivable. Management considers the following factors when determining the collectability of specific accounts: creditworthiness of customers, aging of the receivables, past transaction history with customers and their current condition, changes in customer payment terms, specific facts and circumstances, and the overall economic climate in the industries the Group serves. The provision for doubtful accounts receivable for the years ended December 31, 2016, 2017 and 2018 was \$nil, \$nil and \$293,814, respectively.

Inventories

Inventory is stated at the lower of cost or market. Cost of inventory is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventory to the estimated market value for slow-moving merchandise and damaged goods. The amount of written-down depends upon factors such as whether the goods are returnable to vendors, historical and forecasted consumer demand, market condition and the promotional environment.

Written-down amounts are recorded in cost of goods sold in the consolidated statements of operations. No inventory provision was recognized for each of the three years ended December 31, 2018.

Property and equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Computer equipment	3 years
Office equipment	5 years
Vehicles	4 years
Leasehold improvement	Over the shorter of lease term or the estimated useful lives of the assets

Repair and maintenance costs are charged to expense when incurred, whereas the cost of betterments that extend the useful life of property and equipment are capitalized as additions to the related assets. Retirement, sale and disposals of assets are recorded by removing the cost and related accumulated depreciation with any resulting gain or loss reflected in the consolidated statements of operations.

Acquired intangible assets

Acquired intangible assets with finite lives are carried at cost less accumulated amortization and impairment. Amortization of finite lived intangible assets is calculated on a straight-line basis over the shorter of the contractual terms or the expected useful lives of the acquired assets. The amortization period by major intangible asset classes is as follows:

Trade name/domain name	10 years
Non-compete agreement	4.5 years
Online platform	5 years
Customer relationship	5-10 years

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Impairment of long-lived assets other than goodwill***

The Group evaluates the recoverability of its long-lived assets, including intangible assets with finite lives, whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, the Group measures impairment by comparing the carrying value of the assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the excess of carrying amount over the fair value of the assets.

An impairment loss of \$nil, \$19,765,615 and \$8,637,214 were recognized for the years ended December 31, 2016, 2017 and 2018, respectively.

Impairment of goodwill

The Group annually, or more frequently if the Group believes indicators of impairment exist, reviews the carrying value of goodwill to determine whether impairment may exist.

Specifically, goodwill impairment is determined using a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being a discounted cash flow.

The Group has determined to perform the annual impairment tests on December 31 of each year. The goodwill as of December 31, 2016, 2017 and 2018 was attributable solely to the JMU business on which an impairment loss of \$nil, \$127,252,810 and \$105,818,351 were recognized for the years ended December 31, 2016, 2017 and 2018, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Investment******Cost Method Investment***

In accordance with ASC subtopic 325-20 ("ASC 325-20"), *Investments-Other: Cost Method Investments*, for investments in an investee over which the Group does not have significant influence and which do not have readily determinable fair value, the Group carries the investment at cost and only adjusts for other-than-temporary declines in fair value and distributions of earnings that exceed the Group's share of earnings since its investment. The Group regularly evaluates the impairment of the investment based on performance and financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss recognized in earnings is equal to the excess of the investment's cost over its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment.

Cost method accounting is also applied to investment that are not considered as "in-substance" common stock investment, and do not have readily determinable fair value.

No impairment was recognized for each of the two years ended December 31, 2017. For the year ended December 31, 2018, we recognized an impairment charge of \$723,139.

Revenue recognition

The Group recognizes revenue from the sales of rice, flavoring, oil, seafood, wine and other types of generic food and beverage products through its online platform www.ccjoin.com. The website also serves as an online platform to connect third-party vendors and customers. The Group recognizes revenue when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured.

The Group recognizes revenue when the customers confirm the acceptance of the goods once they receive the delivered goods. The sales returns are considered and estimated when the related revenue was recognized.

Revenue is recorded net of surcharges and value-added tax ("VAT") and related surcharges.

The Group primarily generates revenue from online direct sales and online platform services.

Online direct sales

The Group primarily sells rice, flavoring, oil, seafood, wine and other products relating to catering and hotel industries through online direct sales. There is a separate channel on the Group's online platform designated for the Group's online direct sales and the Group records revenue from online direct sales on a gross basis as the Group acts as the principal in these arrangements: it is the primary obligor in the sales arrangements, has latitude in establishing prices and has discretion in suppliers' selection. On certain transactions, the Group also retains some of general inventory risk and physical inventory loss risk.

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FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Revenue recognition (continued)******Online platform services***

The Group also provides the online platform services to connect third-party sellers and purchasers for their transactions via its online marketplace. Online platform sales are made from the online stores under the third-party sellers' names, and the Group records the related revenue on a net basis as the Group acts as the agent in these arrangements: it is not the primary obligor, does not bear inventory risk, and does not have the ability to establish the price or discretion in supplier selection. For the years ended December 31, 2016, 2017 and 2018, revenues related to the online platform services were nominal, as the Group normally does not charge any service fees to the third-party sellers and purchasers.

Value-added tax

VAT is calculated at 0% on the revenue from primary agricultural products, 11% or 10% on the revenue from other agricultural products and 17% or 16% on the revenue from sales of other products. The Group reports revenue net of VAT. WFOE, VIE and VIE's subsidiaries are VAT general tax payers, which are allowed to offset qualified VAT paid against their output VAT liabilities.

Cost of revenue

Cost of revenues primarily consists of purchased cost of the products sold related to online direct sales and payroll of the operating personnel.

Advertising and promotional expenses

Advertising and promotional expenses, including advertisements through various form of media and kinds of marketing and promotional activities, are included in "Selling and marketing expense" in the consolidated statements of operations and are expensed when incurred. Advertising and marketing expenses for the years ended December 31, 2016, 2017 and 2018 are \$498,045, \$101,232 and \$137,464, respectively.

Operating leases

Leases where substantially all the rewards and risks of the ownership of the assets remain with the leasing companies are accounted for as operating leases. Payments made for the operating leases are charged to the consolidated statements of operations on a straight-line basis over the lease term and have been included in the operating expenses in the consolidated statements of operations. In 2016, the Group entered into a 15-year lease arrangement for its new headquarters in Shanghai, China, which provided a seven month rent free period. In 2018, the Company changed its address of its principal executive office with no rent free period and cancelled the former lease arrangement. As of December 31, 2016, 2017 and 2018, the Group recognized non-current liabilities related to straight-lining of the seven month rent free period and the step increases in monthly rent to be paid over the lease term of \$1,086,342, \$1,386,749 and \$nil, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Income taxes***

The Group follows the liability method in accounting for income taxes in accordance to ASC topic 740 ("ASC 740"), *Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized.

The Group applies the provision of ASC 740 to account for uncertainty in income taxes. ASC 740 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the consolidated financial statements.

The Group has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the consolidated statements of operations.

Loyalty program

In 2016, the Group launched a customer loyalty program to certain qualified customers, who can earn customer credits from purchases if their annual spending with the Group exceeds RMB10 million. In 2017, the Group announced its revised customer loyalty program to certain qualified customers for granting customer credits only if their annual spending with the Group exceeds RMB100 million. The customers can redeem the earned credits for gift merchandise. In 2018, the Company abrogated customer loyalty program.

During 2016, the Group negotiated settlement of earned loyalty credits with 13 of its customers in ordinary shares of the Company. As part of the settlement, the Group agreed to issue 4.42 million of its ordinary shares, and recognized \$1,377,503 in paid-in capital and selling expenses based on the grant date fair value of the ordinary shares. The Group is not legally obligated or expected to continue the redemption of the credits for the ordinary shares in the future.

Share-based payments

Share-based payment awards with employees are measured based on the grant date fair value of the equity instrument issued, and recognized as compensation costs using the straight-line method over the requisite service period, which is generally the vesting period of the options, with a corresponding impact reflected in additional paid-in capital. For share-based payment awards with market conditions, such market conditions are included in the determination of the estimated grant-date fair value. In the second quarter of 2017, the Company elected to early adopt ASU No. 2016-09, *Compensation Stock Compensation (Topic 718): Improvement to Employee Share based Payment Accounting*, to account for forfeitures as they occur. The cumulative-effect adjustment to accumulated deficits was \$nil as a result of the adoption of ASU 2016-09.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

A change in any of the terms or conditions of share-based payment awards is accounted for as a modification of awards. The Group measures the incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified, based on the share price and other pertinent factors at the modification date. For vested awards, the Group recognizes incremental compensation cost in the period the modification occurred. For unvested awards, the Group recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

Net loss per share

Basic loss per ordinary share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per ordinary share reflects the potential dilution that could occur if securities were exercised or converted into ordinary shares. The Group had stock options and restricted share units, which could potentially dilute basic loss per share in the future. To calculate the number of shares for diluted loss per ordinary share, the effect of the stock options and restricted share units is computed using the treasury stock method. Potential ordinary shares in the diluted net loss per share computation are excluded in periods of losses from operations, as their effect would be anti-dilutive.

Comprehensive loss

Comprehensive loss is defined as the decrease in equity of the Company during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Comprehensive loss is reported in the consolidated statements of comprehensive loss, including net loss and foreign currency translation adjustments, presented net of tax.

Segment reporting

The Group follows ASC 280, *Segment Reporting*. The Company's Chief Executive Officer or chief operating decision-maker reviews the consolidated financial results when making decisions about allocating resources and assessing the performance of the Group as a whole and hence, the Group has only one reportable segment. The Group operates and manages its business as a single segment through the provision of integrated services to suppliers and consumers in the catering and hotel industries. As the Group's long-lived assets are substantially all located in the PRC and substantially all the Group's revenues are derived from within the PRC, no geographical segments are presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1- inputs are based upon quoted prices for instruments traded in active markets.

Level 2- inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based calculation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3- inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, cash flow models, and similar techniques.

Fair value of financial instruments

Financial instruments include cash and cash equivalents, short-term bank borrowings, amounts due from/to related parties, accounts receivable, accounts payable and investment. The carrying values of cash, short-term bank borrowings, amounts due from/to related parties, accounts receivable and accounts payable approximate their fair values reported in the consolidated balance sheets due to the short-term maturities. The Group determined that it is not practicable to estimate the fair value of its cost method investment as of December 31, 2018 and measures the cost method investment at fair value on a nonrecurring basis only if an impairment charge were to be recognized.

Financial assets and liabilities measured at fair value on a non-recurring basis include acquired assets and liabilities and goodwill based on Level 3 inputs in connection with business acquisition.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Recent accounting pronouncements***

As a company with less than US\$1 billion in gross revenue for the last fiscal year, we qualify as an “emerging growth company” (“EGC”) pursuant to the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include a provision that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. We will take advantage of the extended transition period.

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which supersedes the revenue recognition requirements in Accounting Standards Codification (“ASC”) Topic 605, Revenue Recognition. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer. The new disclosure requirements will provide information about the nature, amount, timing and uncertainty of revenue and cash flows from revenue contracts with customers. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, for public business entities.

The new revenue standards may be applied retrospectively to each prior period presented (full retrospective method) or retrospectively with the cumulative effect recognized as of the date of initial application (the modified retrospective method). The Group as an EGC has elected to adopt the new revenue standard as of the effective date applicable to nonissuers and will implement the new revenue standard on January 1, 2019 using the modified retrospective method. The Group has substantially completed its assessment and currently does not expect the adoption of this guidance will have significant effects on the Group’s revenue recognition practices, financial positions, results of operations or cash flows. The new standard will require the Group to provide more robust disclosures than required by previous guidance, including disclosures related to disaggregation of revenue into appropriate categories, performance obligations, and the judgments made in revenue recognition determinations.

In January 2016, the FASB issued ASU No. 2016-01, to improve the recognition and measurement of financial instruments. The new guidance requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income and separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. The guidance also eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities and the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, for public business entities. The Group as an EGC has elected to adopt this standard as of the effective date applicable to nonissuers and will implement the new standard on January 1, 2019 using the modified retrospective method. This accounting standards update does not have a material impact on the Group’s consolidated financial statements.

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In February 2016, the FASB issued ASU2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing a right-of-use asset and a lease liability for all leases with terms longer than 12 months. Leases will be classified as either operating or financing. The definition of a lease has been revised in regards to when an arrangement conveys the right to control the use of the identified asset under the arrangement which may result in changes to the classification of an arrangement as a lease. The ASU expands the disclosure requirements of lease arrangements. The guidance is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period, for public business entities. The Group as an EGC has elected to adopt the new lease standard as of the effective date applicable to nonissuers and will implement the new lease standard on January 1, 2020 using the modified retrospective method. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. In addition, the Group will elect the transition practical referred to as the “package of three”, that must be taken together and allows entities to (1) not reassess whether existing contracts contain leases, (2) carryforward the existing lease classification, and (3) not reassess initial direct costs associated with existing leases. The Group is in the process of evaluating the impact on its consolidated financial statements, as well as the impact of adoption on policies, practices, systems and financial statement disclosures. As of December 31, 2018, the Group has US\$145,444 of future minimum operating lease commitments that are not currently recognized on its consolidated balance sheets (see note 19).

In June 2016, the FASB issued ASU 2016-13, *Credit Losses, Measurement of Credit Losses on Financial Instruments*. This ASU provides more useful information about expected credit losses to financial statement users and changes how entities will measure credit losses on financial instruments and timing of when such losses should be recognized. This ASU is effective for annual and interim periods beginning after December 15, 2019 for the public business entities. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. The Group as an EGC has elected to adopt the new ASU as of the effective date applicable to nonissuers and will implement the new ASU on January 1, 2020 using the modified retrospective method. The updates should be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Group is in the process of evaluating the impact on its consolidated financial statements upon adoption.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*, which amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows. This ASU requires that 1) debt extinguishment costs be classified as cash outflows for financing activities and provides additional classification guidance for the statement of cash flows, 2) the classification of cash receipts and payments that have aspects of more than one class of cash flows to be applied under generally accepted accounting principles, and 3) each separately identifiable source or use within the cash receipts and payments be classified based on their nature in financing, investing or operating activities. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017 and is applied retrospectively. Early adoption is permitted including adoption in an interim period. The Group adopted this ASU on its effective date of January 1, 2018 and did not have any material impact on its consolidated financial statements upon adoption.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Recent accounting pronouncements (continued)***

August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which changes certain disclosure requirements, including those related to Level 3 fair value measurements. The standard will be effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Group is in the process of evaluating the impact on its consolidated financial statements upon adoption.

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The amendments in this ASU are effective for public business entities with fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments are also effective for private entities with fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. All entities are required to apply the amendments in this ASU retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The Group is in the process of evaluating the impact on its consolidated financial statements upon adoption.

4. CONCENTRATION OF RISK***Credit risk***

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and cash equivalents. The Group places its cash and cash equivalents with financial institutions with high-credit ratings and quality.

Customers accounting for 10% or more of total revenue are:

Customer	For the years ended December 31,		
	2016	2017	2018
A	20.4%	*	*
B	*	22.6%	*
C	*	*	16.8%
D	*	*	14.7%

Customers accounting for 10% or more of accounts receivable are:

Customer	As of December 31,	
	2017	2018
A	12.7%	*
B	59.4%	*
C	*	32.7%
D	*	12.2%

* Less than 10%

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4. CONCENTRATION OF RISK (CONTINUED)*Currency convertibility risk*

Substantially all of the Group's businesses are transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other regulatory institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

Foreign currency exchange rate risk

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For RMB against U.S. dollar, there was depreciation of approximately 6.8% and 5.7% in the year ended December 31, 2016 and 2018, respectively and appreciation 5.8% in the year end December 31, 2017. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

To the extent that the Company needs to convert U.S. dollar into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against U.S. dollar would have an adverse effect on the RMB amount the Company would receive from the conversion. Conversely, if the Company decides to convert RMB into U.S. dollar for the purpose of making payments for dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of U.S. dollar against RMB would have a negative effect on the U.S. dollar amount available to the Company. In addition, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of the Company's earnings or losses.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable and allowance for doubtful accounts consist of the following:

	As of December 31,	
	2017	2018
	US\$	US\$
Accounts receivable	3,295,818	471,592
Less: allowance for doubtful accounts	-	(295,472)
	<u>3,295,818</u>	<u>176,120</u>

As of December 31, 2017 and 2018, all accounts receivable are due from third-party customers for online direct sales.

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6. PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET

Prepaid expenses and other current assets consist of the following:

	As of December 31,	
	2017	2018
	US\$	US\$
Advance to suppliers	1,248,701	347,409
Other receivables, net of allowance for doubtful accounts of \$584,956 and \$751,491 at December 31, 2017 and December 31, 2018, respectively	(i) 228,436	111,938
Prepaid rental expenses and other deposits	124,863	73,446
Advance to employees	118,052	187,301
Other current assets	525,736	401,401
	<u>2,245,788</u>	<u>1,121,495</u>

- (i) In circumstances where a supplier defaults, and where the Group is asserting a breach of contract and seeking monetary recovery of the remaining deposit from the supplier, the Group reclassifies the respective advance to suppliers to other receivables within "Prepaid expenses and other current assets" in the consolidated balance sheets. A provision for loss is recognized in operating expenses when the loss on such assets is determined to be probable and amount can be reasonably estimated.

The Group provided provision of \$nil, \$584,956 and \$166,535 for other receivables during the year ended December 31, 2016, 2017 and 2018, respectively.

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7. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	As of December 31,	
	2017	2018
	US\$	US\$
Leasehold improvement	1,533,673	-
Computer equipment	814,870	625,966
Office equipment	176,160	164,957
Vehicles	129,907	122,931
Total	2,654,610	913,854
Less: accumulated depreciation	(859,377)	(507,833)
Property and equipment, net	1,795,233	406,021

On December 21, 2018, as discussed in Note 19, the Company terminated its lease of its headquarters located in Shanghai. As a result of the termination of the lease, the Company wrote off leasehold improvements of \$614,282, net of accumulated depreciation of \$459,222 and recorded a loss of \$614,282 which has been included in general and administrative expenses in the accompanying Consolidated Statement of Operations for the year ended December 31, 2018..

For the years ended December 31, 2016, 2017 and 2018, depreciation and amortization expense was \$259,307, \$267,458 and \$337,643, respectively. No impairment loss was recognized for the years ended December 31, 2016, 2017 and 2018.

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Acquired intangible assets consist of the following:

	As of December 31,	
	2017	2018
	US\$	US\$
Trade name/domain name	15,291,990	14,470,842
Non-compete agreements	9,513,676	9,002,811
Online platform	1,285,326	1,216,307
Customer relationship	26,158,110	24,753,474
Total	52,249,102	49,443,434
Less: Accumulated amortization	(22,219,546)	(22,148,435)
Less: Accumulated impairment	(19,765,615)	(27,294,999)
Acquired intangible assets, net	10,263,941	-

The movement of acquired intangible assets for the years ended December 31, 2017 and 2018 is as follows:

	US\$
Balance as of January 1, 2017	36,274,238
Amortization	(8,359,386)
Foreign currency translation adjustment	2,114,704
Impairment	(19,765,615)
Balance as of December 31, 2017	10,263,941
Amortization	(1,171,219)
Foreign currency translation adjustment	(455,508)
Impairment	(8,637,214)
Balance as of December 31, 2018	-

The amortization expense of acquired intangible assets was \$8,640,885, \$8,359,386 and \$1,171,219 for the years ended December 31, 2016, 2017 and 2018, respectively. Impairment loss of \$nil, \$19,765,615 and \$8,637,214 was provided by the Group for the years ended December 31, 2016, 2017 and 2018, respectively.

During the year ended December 31, 2018, the Group provided impairment loss of \$5,566,496, \$350,189 and \$2,720,529 for Trade name/domain name, Online platform and Customer relationship, respectively, to write down the carrying amount to their fair value respectively (Note 15).

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9. INVESTMENT

	As of December 31,	
	2017	2018
	US\$	US\$
Cost investment:		
Investment in Cold Chain Link (Shanghai) Internet of Things Co., Ltd.	768,486	727,220
Less: accumulated impairment	-	(727,220)
	<u>768,486</u>	<u>-</u>

In May 2016, the VIE entered into a share purchase agreement with Cold Chain Link (Shanghai) Internet of Things Co., Ltd., formerly known as Cold Chain Link Global (Shanghai) Logistic Co., Ltd., (“CCLG”) and CCLG’s original shareholders for acquiring a 10% equity interest for total consideration of RMB20 million (\$3.0 million). The agreement provides that the Board of Directors of CCLG shall consist of three directors, and that the VIE may appoint one director. On August 16, 2017, the VIE executed an Investment Redemption Agreement with the two controlling shareholders of CCLG. This agreement provides the VIE a right of redemption from August 2020 to August 2022 to request redemption from CCLG’s two controlling shareholders of its RMB 5,000,000 investment in CCLG.

As of December 31, 2018, the Group has paid RMB5 million (\$727,220) and the remaining capital commitment for this investment is RMB15 million (\$2,181,660) as of December 31, 2018 (Note 19).

According to unaudited financial statements of CCLG, CCLG had total shareholders’ equity of \$773,327 at December 31, 2018 and had net losses of \$381,022 and \$1,296,356 for the years ended December 31, 2018 and 2017, respectively. Accordingly, we have recognized an impairment loss of \$723,139 at December 31, 2018 and reduced the carrying value of our investment to \$nil.

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10. GOODWILL

	As of December 31,	
	2017	2018
	US\$	US\$
Gross amount	327,895,884	327,895,884
Less: Accumulated impairment	(218,955,451)	(327,895,884)
	<u>108,940,433</u>	<u>-</u>

The changes in the goodwill balance for the years ended December 31, 2017 and 2018 are as follows:

	US\$
Balance as of January 1, 2017	221,337,157
Foreign currency translation adjustment	14,856,086
Impairment	(127,252,810)
Balance as of December 31, 2017	<u>108,940,433</u>
Foreign currency translation adjustment	(3,122,082)
Impairment	<u>(105,818,351)</u>
Balance as of December 31, 2018	<u>-</u>

The Group has one reporting unit and applies discounted cash flows for its impairment test as of December 31 of each year. The Group recorded an impairment loss of \$ nil, \$127,252,810 and \$105,818,351 for the years ended December 31, 2016, 2017 and 2018, respectively.

11. SHORT-TERM BANK BORROWINGS

In July 2017, the VIE, entered into a banking facility arrangement with Bank of Dalian Shanghai Branch, pursuant to which the VIE is entitled to borrow RMB denominated loan of RMB50 million (\$7.6 million, equivalently), for a one-year period from July 25, 2017 to July 24, 2018.

The facility agreement was guaranteed by the Company's shareholders, Ms. Zhu and Ms. Wang and Ms. Wang also provided her own property as collateral (Note 18).

On April 23, 2018, Ms. Zhu Xiaoxia signed a shareholder support letter with JMU Limited, stipulating that she will unconditionally provide funds to JMU Limited to meet its operational needs within 12 months after the signing date of the letter of commitment.

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11. SHORT-TERM BANK BORROWINGS (CONTINUED)

The Facility agreement contains provisions that require, among other things, approval from the bank on (1) reduction of ownership, divestitures, mergers, joint ventures, and reorganizations; (2) selling and renting Company assets; (3) providing of collateral to third parties; and (4) other matters that impact the bank's claim. The bank has the right to give oversight on the use of the line. The bank has the right to perform due diligence on the line of credit. If the terms are not followed, the bank has the right to reduce the credit amount or terminate the agreement. The Facility agreement also provides that a second loan must not be taken out by the Company using collateral without the bank's approval, that the Company periodically provide financial statements and other support to the bank, and that the Company inform the bank on significant matters pertaining to the Company such as changes in management and changes in ownership. To the date of the issuance of these financial statements, the bank has not indicated its intention to currently terminate the line or make a demand for repayment of the amount currently outstanding under the line.

On August 10, 2017 and August 16, 2017, the Group drew down RMB27 million (\$4.1 million) and RMB23 million (\$3.5 million), respectively, with fixed interest rate of 5.66% per annum.

On August 6, 2018, the Group extended the loan to August 5, 2019. As of December 31, 2018, the Group drew down RMB50 million (\$7.3 million), with fixed interest rate of 5.66% per annum.

Should Ms. Zhu or the new controlling shareholder of the Company be unwilling or unable to fund the repayment of the RMB50,000,000 (\$7,272,198) loan under the line on August 5, 2019 at maturity, the Bank of Dalian may choose to exercise its rights under the guarantees from Ms. Zhu and Ms. Wang and the real estate collateral of Ms. Wang.

From April 2018 to June 2018, Shanghai Zhongming used time deposits of RMB60 million (approximately \$8.7 million), which were funded by Ms. Zhu as the collateral to guarantee loans made by Dalian Bank to Shenzhen Bangrun Commercial Factoring Co., Ltd. (hereinafter referred to as "Shenzhen Bangrun" - see Note 18 under "Amount due from related parties"), a wholly-owned subsidiary of Ms. Zhu Xiaoxia, a major shareholder of the Company. At the same time, Shenzhen Bangrun issued a counter-guarantee letter to Dalian Bank, which agreed that Shenzhen Bangrun irrevocably bears the counter-guarantee obligation for the above-mentioned guarantee of Shanghai Zhongming. On December 20, 2018, the time deposits matured and the RMB60,000,000 plus related interest income of RMB1,404,930 or an aggregate of RMB61,404,430 (\$8,930,977) was transferred to Shenzhen Bangrun at Ms. Zhu's request with the permission of the Bank of Dalian.

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Accrued expenses and other current liabilities consist of the following:

		As of December 31,	
		2017	2018
Payables to third-party sellers	(i)	2,991,928	358,181
Accrued payroll and welfare		2,839,109	3,189,287
Provision for loyalty program		1,549,962	1,159,551
Payables for professional fees		784,464	793,629
Other tax payable		352,629	378,951
Accrued marketing expenses		329,002	-
Uncertain tax positions		258,532	461,503
Payables for rental fee		37,733	223,916
Others		148,901	351,726
		<u>9,292,260</u>	<u>6,916,744</u>

- (i) In connection with the online platform services, payable to third-party sellers represented the total amounts received from third-party purchasers on behalf of third-party sellers through the Group's online platform in a period less than one week without any charges.

13. INCOME TAXES*Cayman*

Under the current laws of the Cayman Islands, the Company is not subject to tax on its income or capital gains.

Hong Kong

Under the Hong Kong tax laws, the Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax rate at 16.5%. No provision for Hong Kong profits tax was made for each of the three years ended December 31, 2018 on the basis that the Group's Hong Kong subsidiaries did not have any assessable profits arising in or derived from Hong Kong for those years.

PRC

The enterprise income tax ("EIT") law applies a uniform 25% EIT rate to both foreign invested enterprises and domestic enterprises. The EIT rate for the Group's entities operating in the PRC is 25%.

No taxable income was generated for both domestic and foreign entities of the Group during each of the three years ended December 31, 2018.

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13. INCOME TAXES (CONTINUED)

Credit for income tax consists of the following:

	For the years ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Income tax benefits:			
Current income tax expenses	(200,040)	(292,436)	(279,618)
Deferred income tax benefits	2,433,497	7,149,616	2,378,024
Total	<u>2,233,457</u>	<u>6,857,180</u>	<u>2,098,406</u>

The significant components of the Group's deferred tax assets and liabilities were as follows:

	As of December 31,	
	2017	2018
	US\$	US\$
Deferred tax assets		
Accruals	2,011,300	1,580,894
Net operating loss carry forwards	8,741,138	10,802,048
Valuation allowance	(10,595,656)	(12,382,942)
Total deferred tax assets	<u>156,782</u>	<u>-</u>
Deferred tax liabilities		
Acquired intangible assets	2,565,985	-
Total deferred tax liabilities	<u>2,565,985</u>	<u>-</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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13. INCOME TAXES (CONTINUED)

The Group considers the following factors, among other matters, when determining whether some portion or all of the deferred tax assets will more likely than not be realized: the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carry forward years, the Group's experience with tax attributes expiring unused and tax planning alternatives. The Group's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carry forward years provided for in the tax law.

The Group incurred net operating losses carry forwards of \$8,744,032, \$10,196,547 and \$10,802,048 from the Group's PRC entities for the years ended December 31, 2016, 2017 and 2018, respectively, which would expire on various dates through 2021 to 2023. The Group operates its business through its subsidiaries, its VIE and its subsidiaries. The Group does not file consolidated tax returns, therefore, losses from individual subsidiary, the VIE or the VIE's subsidiaries may not be used to offset other PRC entities' earnings within the Group. Valuation allowance is considered on each individual subsidiary, VIE and VIE's subsidiary basis.

As of December 31, 2017 and 2018, valuation allowance was \$10,595,656 and \$12,382,942, respectively, which was provided against deferred tax assets as it is considered more likely than not that the relevant deferred tax assets will not be realized in the foreseeable future.

Reconciliation between the income taxes benefits computed by applying the PRC tax rate to loss before income taxes and the actual credit for income taxes is as follows:

	For the year ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Net loss before provision for income taxes	(27,526,602)	(168,756,159)	(125,338,191)
Statutory tax rates in the PRC	25%	25%	25%
Income tax at statutory tax rate	(6,881,651)	(42,189,040)	(31,334,548)
Expenses not deductible for tax purposes:			
Goodwill impairment loss	-	31,813,203	26,454,588
Long-term investment impairment loss	-	-	180,785
Entertainment expenses exceeded tax limit	21,533	11,783	11,465
Effect of income tax rate difference in other jurisdiction	633,997	102,670	481,374
Changes in unrecognized tax benefits	200,040	292,436	279,618
Changes in valuation allowance	3,792,624	3,111,768	1,828,312
Income tax benefits	(2,233,457)	(6,857,180)	(2,098,406)

13. INCOME TAXES (CONTINUED)

The EIT Law includes a provision specifying that legal entities organized outside the PRC will be considered residents for Chinese income tax purposes if their place of effective management or control is within the PRC. If legal entities organized outside the PRC were considered residents for Chinese income tax purpose, they would become subject to the EIT Law on their worldwide income. This would cause any income legal entities organized outside the PRC earned to be subject to the PRC's 25% EIT. The Implementation Rules to EIT Law provide that non-resident legal entities will be considered as PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. reside within the PRC.

Pursuant to the additional guidance released by the Chinese government on April 22, 2009 and issued bulletin on August 3, 2011 which provide more guidance on the implementation, management does not believe that the legal entities organized outside the PRC should be characterized as PRC tax residents for EIT Law purposes.

Unrecognized Tax Benefits

Under the EIT Law and its implementation rules which became effective on January 1, 2008, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in the PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. The Cayman Islands, where the Company is incorporated, does not have a tax treaty with the PRC.

There were no aggregate undistributed earnings of the Company's subsidiary, VIE and VIE's subsidiaries located in the PRC available for dividend distribution. Therefore, no deferred tax liability has been accrued for the Chinese dividend withholding taxes that might be payable upon the distribution of aggregate undistributed earnings as of December 31, 2017 and 2018.

The impact of an uncertain tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

As of December 31, 2017 and 2018, the Group recorded an unrecognized tax benefit of \$563,455 and \$843,073, respectively, of which \$304,923 and \$381,570, respectively, are presented on a net basis against the deferred tax assets related to tax loss carry forward on the consolidated balance sheets (Note 12). The unrecognized tax benefit is mainly related from under reported income. The amount of unrecognized tax benefits will change in the next 12 months, pending clarification of current tax law or audit by tax authorities, however, an estimate of the range of the possible change cannot be made at this time.

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13. INCOME TAXES (CONTINUED)

A roll-forward of unrecognized tax benefits is as follows:

	For the years ended December 31,	
	2017	2018
	US\$	US\$
Balance at beginning of the year	271,019	563,455
Addition based on tax positions related to the current year	292,436	279,618
Balance at end of the year	<u>563,455</u>	<u>843,073</u>

During the years ended December 31, 2016, 2017 and 2018, the Group recorded interest accrued in relation to the unrecognized tax benefit in income tax expense of \$nil, \$26,785 and \$27,517, respectively.

Since the incorporation, the relevant tax authorities of the Group's subsidiary, VIE and VIE's subsidiaries located in the PRC have not conducted a tax examination. In accordance with relevant PRC tax administration laws, tax years from 2015 to 2018 of the Group's PRC subsidiary, VIE and VIE's subsidiaries, remain subject to tax audits as of December 31, 2018, at the tax authority's discretion.

14. ORDINARY SHARES

On April 8, 2015, the Company completed its IPO on NASDAQ by offering 4,000,000 ADSs, representing 72 million ordinary shares at price of \$10 per ADS. On April 27, 2015, the Company issued an additional 220,000 ADSs, representing 3.96 million of ordinary shares to the underwriter for exercising the overallotment option at price of \$10 per ADS. The total proceeds from issuance of ordinary shares upon IPO are \$37,294,600, after deducting the IPO related cost of \$3,000,000.

Upon the completion of the IPO, all of the Company's then outstanding Series A-1, Series A-2 and Series B preferred shares were automatically converted into 12,202,988, 122,029,877 and 30,507,471 ordinary shares respectively, and immediately after the completion of the IPO, the indebtedness owed to Mr. Maodong Xu ("Mr. Xu"), one of the Company's shareholder, amounting to \$69.4 million was converted into 124,835,802 ordinary shares.

On June 8, 2015, the Company issued 741,422,780 ordinary shares to JMU's original shareholders for the acquisition of JMU. In addition, the Company initially agreed to issue 72,000,000 ordinary shares of the Company to Mr. Xu at a purchase price of \$0.5556 per share, for a total purchase price of \$40,000,000. On September 7, 2015, the Company and Mr. Xu reduced the number of shares to be purchased through a supplemental agreement resulting in a final subscription amount of \$15,000,000 for 27,000,000 shares. On the same date, the Company issued an additional 27,000,000 ordinary shares to Mr. Xu in relation to his additional subscription.

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14. ORDINARY SHARES (CONTINUED)

On September 27, 2015, the Company issued and transferred 38,363,112 ordinary shares to its depositary bank representing 2,131,284 ADSs, to be issued to employees and former-employees upon the exercise of their vested share options and the registration of their vested RSUs.

As of December 31, 2016, 2017 and 2018, 22,770,288, 37,462,294 and 37,670,266 ordinary shares, respectively, out of these 38,363,112 ordinary shares had been issued to employees and former-employees upon the exercise of share options and the registration of vested RSUs. Therefore, as of December 31, 2016, 2017 and 2018, 15,592,824, 900,818 and 692,846 common shares, respectively, remained for future issuance.

15. FAIR VALUE MEASUREMENT

Measured at fair value on a recurring basis

The Group had no financial assets and liabilities measured and recorded at fair value on a recurring basis as of December 31, 2017 and 2018.

Measured at fair value on a non-recurring basis

The Group measures the acquired assets and liabilities at fair value on a nonrecurring basis as result of the business acquisition. The fair value was determined using models with significant unobservable inputs (Level 3 inputs), primarily the management projection of the future cash flow and the discount rate.

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15. FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a non-recurring basis as of December 31, 2017 and 2018:

Fair value measurement at December 31, 2017 Using					
	Balance as of December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total losses
	US\$	US\$	US\$	US\$	US\$
Description					
Assets:					
Long-lived assets	(i) 12,059,174			12,059,174	19,765,615
Goodwill	(ii) 108,940,433			108,940,433	127,252,810
Fair value measurement at June 30, 2018 Using					
	Balance as of June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total losses
	US\$	US\$	US\$	US\$	US\$
Description					
Assets:					
Long-lived assets	(i) 9,409,198			9,409,198	1,236,208
Goodwill	(ii) 34,535,651			34,535,651	72,580,644
Fair value measurement at December 31, 2018 Using					
	Balance as of December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total losses
	US\$	US\$	US\$	US\$	US\$
Description					
Assets:					
Long-lived assets	(i) 406,021			406,021	7,401,006
Goodwill	(ii) -			-	33,237,707
Long-term investment	(iii) -			-	723,139

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15. FAIR VALUE MEASUREMENT (CONTINUED)

- (i) Long-lived assets represent the Group's property and equipment (Note 7), and acquired intangible assets (Note 8). The Group determined that these long-lived assets were one asset group and subject to be tested for impairment. The Group measures long-lived assets at fair value on a non-recurring basis when the carrying amount of the asset group exceeds its recoverable amount based on future projection which is consistent with its remained useful lives of the primary assets. The fair value was determined using models with significant unobservable input (Level 3 inputs) and the cash flow projections were based on past experience, actual results of operations and management best estimates about future developments as well as certain market assumptions. Impairment loss of \$nil, \$19,765,615 and \$8,637,214 were recognized during the years ended December 31, 2016, 2017 and 2018, respectively, and included in "Impairment loss" in the Consolidated Statements of Operations.
- (ii) The Group measures goodwill at fair value on a non-recurring basis when it is annually evaluated or whenever events or changes in circumstances indicate that carrying amount of a reporting unit exceeds its fair value. The fair value was determined using models with significant unobservable input (Level 3 inputs) and the cash flow projections were based on past experience, actual results of operations and management best estimates about future developments as well as certain market assumptions. Goodwill impairment loss of \$ nil, \$127,252,810, and \$105,818,351 were recognized for the years ended December 31, 2016, 2017 and 2018, respectively, and included in "Impairment loss" in the Consolidated Statements of Operations.
- (iii) According to unaudited financial statements of CCLG, CCLG had total shareholders' equity of \$773,327 at December 31, 2018 and had net losses of \$381,022 and \$1,296,356 for the years ended December 31, 2018 and 2017, respectively. Accordingly, we have recognized an impairment loss of \$723,139 at December 31, 2018 and reduced the carrying value of our investment to \$nil.

16. SHARE BASED COMPENSATION***2011 Share Incentive Plan***

On February 1, 2011, the Board of Directors approved the Company 2011 Share Incentive Plan ("2011 Plan"). The 2011 Plan provides for the grant of options, restricted shares, and other share-based awards.

The Group recognized compensation cost on the share options to employees under 2011 Plan on a straight-line basis over the requisite service period. The options granted during 2012 and 2013 vest ratably over 48 months and the options granted during 2014 vest on the first anniversary of the date of grant.

On July 27, 2015, the Board of Directors approved to grant 28,841,700 Restricted Share Units ("RSUs") awards pursuant to the 2011 Plan. Each RSU represents the contingent right of the participant to receive an ordinary share. Each RSU is an agreement to issue ordinary share at the time the award vests with zero exercise price. The issued RSUs will vest 50%, and 50%, respectively, on each anniversary of the grant date. The Group recognizes share-based compensation cost on the RSUs on a straight-line basis over the 2 years from the grant date.

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16. SHARE BASED COMPENSATION (CONTINUED)

On September 1, 2015, the Board of Directors approved that all 3,312,618 unvested options and 28,639,900 RSUs granted under the 2011 Plan became vested and exercisable as of September 1, 2015. Meanwhile, the Board of Directors also approved that all vested and accelerated vested options and RSUs shall be exercised within 2 years from the acceleration date, i.e. September 1, 2017, which was subsequently extended by another 1 year approved by the Company on June 20, 2017. On August 31, 2018, the Company approved to extend the expiration date of these Accelerated Awards by another 1 year to September 1, 2019.

On July 1, 2016, under the 2011 Plan, the Board of Directors approved to grant 32,028,700 share options with exercise price of \$0.20 per share to its employees and management. 40%, 30% and 30% of the shares subject to the options shall vest on the second, third and fourth anniversary of the vesting commencement date, respectively, provided that the optionee continues to be a service provider to the Group.

On July 1, 2016, the Board of Directors also approved to grant 10,430,000 RSUs awards pursuant to the 2011 Plan. Each RSU represents the contingent right of the participant to receive an ordinary share. Each RSU is an agreement to issue ordinary shares at the time the award vests with zero exercise price. The issued RSUs will vest 100% when the following two conditions are both met: a) on and after the first anniversary of the grant date and b) the market price of the Company's ADS is not less than \$7 per ADS. As the second condition was not met, nil RSU was vested as of December 31, 2018. The Group recognizes share-based compensation cost on the RSUs over the 12 months from the grant date.

(a) Restricted Shares Award Granted to Employees

The following table summarizes the Company's restricted shares award issued under the 2011 Plan for the year ended December 31, 2018:

	Outstanding RSUs	
	Number of RSUs	Weighted average grant date fair value (US\$)
Unvested as of January 1, 2018	8,780,000	0.133
Granted	-	
Forfeited	(1,400,000)	0.133
Unvested as of December 31, 2018	7,380,000	0.133
Expect to vest as of December 31, 2018	7,380,000	0.133

(b) Options Granted to Employees

The following table summarizes the Company's employee share options under 2011 Plan for the year ended December 31, 2018:

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Options	Number of Share options	Weighted average exercise price US\$	Weighted average grant date fair value US\$	Weighted average remaining contractual life (Years)	Aggregate Intrinsic value US\$
Outstanding as of January 1, 2018	52,718,520	0.14	0.20	4.38	793,918
Granted	-	-	-	-	-
Forfeited and expired	(8,744,400)	0.20	0.09	-	-
Exercised	(207,972)	0.01	0.10	-	-
Outstanding as of December 31, 2018	43,766,148	0.13	0.22	3.20	17,903
Vested and expect to vest as of December 31, 2018	43,766,148	0.13	0.22	3.20	17,903
Exercisable as of December 31, 2018	27,517,848	0.09	0.28	0.67	17,903

Share-based compensation of \$1,097,543 and \$1,067,786 were charged to operating expenses for the years ended December 31, 2016 and 2017 under 2011 Plan, respectively. Share-based compensation of \$56,705 was credited to operating expenses for the year ended December 31, 2018 under the 2011 Plan. The Company's payroll in operating expenses for the year ended December 31, 2017 was substantially reduced in the year ended December 31, 2018, along with a substantial reduction in the Company's head-count of employees. The July 1, 2016 grants of both the 32,028,700 share options and the 10,430,000 RSUs require participants have continuous employment to qualify for vesting of their benefits under the 2011 Plan.

Accordingly, during the year ended December 31, 2018, the credit to operating expenses of \$56,705 is net of forfeitures related to terminated employees of \$494,542 which represents prior charges for benefits that will never be received by the former employees. In addition, during the year ended December 31, 2018, the net credit of \$56,705 includes a reduced charge of \$437,837 for the cost at benefits for remaining continuing employees (not terminated employees) still qualifying for benefits under the 2011 Plan.

On September 1, 2015, the Board of Directors approved that all 3,312,618 unvested options and 28,639,900 RSUs granted under 2011 Plan became vested and exercisable ("Accelerated Awards") as of September 1, 2015. This was accounted for as a modification. The share-based compensation of \$7,503,976 from this modification was a one-time charge to operating expenses of discontinued operations for the year ended December 31, 2015. As all batches of options and RSUs outstanding as of September 1, 2015 were immediately vested on that date, the actual forfeiture rates were trued up, which resulted a reversal of \$327,376 share-based compensation in discontinued operations for the year ended December 31, 2015.

On June 20, 2017, the Company approved to extend the expiration date of these Accelerated Awards by another 1 year to September 1, 2018, which was accounted for as a modification. The share-based compensation of \$32,491 from this modification was a one-time charge to operating expenses for the year ended December 31, 2017.

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16. SHARE BASED COMPENSATION (CONTINUED)**(b) Options Granted to Employees (continued)**

On August 31, 2018, the Company approved to extend the expiration date of these Accelerated Awards by another 1 year to September 1, 2019.

The aggregated intrinsic value of stock options outstanding and exercisable as of December 31, 2017 and 2018 was calculated based on the closing price of the Company's ordinary shares, \$1.02 per ADS (equivalent to \$0.06 per ordinary share) and \$0.7 per ADS (\$0.004 per ordinary share) at December 31, 2017 and 2018, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2016, 2017 and 2018 was \$618,971, \$52,536 and \$832, respectively.

As of December 31, 2018, the unrecognized share-based compensation related to RSUs issued to employees was \$nil; the unrecognized share-based compensation related to share options were \$786,251 and expected to be recognized following the straight-line method over the remaining weighted-average period of 1.5 years as of December 31, 2018.

The fair value of the options granted/modified was estimated on the date of grant/modification with the assistance of an independent third-party appraiser, and was determined using binomial model with the following assumptions:

	September 1, 2015	July 1, 2016	June 20, 2017
Expected volatility ⁽¹⁾	60.3% - 65.1%	54.8%	41.0%
Risk-free interest rate ⁽²⁾	0.47% - 0.88%	1.46%	1.25%
Expected dividend yield ⁽³⁾	nil	nil	nil
Exercise price ⁽⁴⁾	\$0.01 - \$0.20	\$0.20	\$0.01 - \$0.20
Fair value of the underlying ordinary shares ⁽⁵⁾	\$0.38	\$0.20	\$0.12

(1) Volatility

The volatility of the underlying ordinary shares during the life of the options was estimated based on average historical volatility of comparable companies for the period before the valuation date with lengths equal to the life of the options.

(2) Risk-free rate

Risk free rate is estimated based on yield to maturity of PRC international government bonds with maturity term close to the life of the options.

(3) Dividend yield

The dividend yield was estimated by the Group based on its expected dividend policy over the life of the options.

(4) Exercise price

The exercise price of the options was determined by the Group's Board of Directors.

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The estimated fair value of the ordinary shares underlying the options as of the respective valuation dates was determined based on a contemporaneous valuation. When estimating the fair value of the ordinary shares on the valuation dates, management has considered a number of factors, including the result of a third-party appraisal and equity transactions of the Group, while taking into account standard valuation methods and the achievement of certain events. The fair value of the ordinary shares in connection with the option grants on the valuation dates was determined with the assistance of an independent third-party appraiser.

After the Company listed on NASDAQ in April 2015, the closing market price of the ordinary shares of the Company as of the grant/modification date was used as the fair value of the ordinary shares on that date.

17. NET LOSS PER SHARE

The calculation of the net loss per share is as follows:

	For the years ended December 31,		
	2016	2017	2018
Numerator:			
Net loss attributable to the Company	(25,293,145)	(161,898,979)	(123,239,785)
Net loss attributable to ordinary shareholders for computing basic net loss per ordinary shares	(25,293,145)	(161,898,979)	(123,239,785)
Denominator:			
Weighted average ordinary shares outstanding used in computing basic net loss per ordinary shares	1,474,087,060	1,476,144,194	1,476,801,177
Weighted average ordinary shares outstanding used in computing diluted net loss per ordinary shares	1,474,087,060	1,476,144,194	1,476,801,177
Net loss per ordinary share			
Basic	(0.02)	(0.11)	(0.08)
Diluted	(0.02)	(0.11)	(0.08)
Weighted average shares used in calculating net loss per ordinary share			
Basic	1,474,087,060	1,476,144,194	1,476,801,177
Diluted	1,474,087,060	1,476,144,194	1,476,801,177

For the years ended December 31, 2016, 2017 and 2018, 35,190,467, 22,195,156 and 24,145,294 ordinary shares resulting from the assumed exercise of share options were excluded as their effect was anti-dilutive for the continuing operations of the Group, respectively.

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Nature of the relationships with related parties:

Name	Relationship with the Company
Ms. Zhu	Shareholder
Ms. Wang	Shareholder
Chung So Si Fong Dessert Limited	Controlled by Ms. Zhu and Ms. Wang
Cong Shao (Macao) Star Dessert Co., Ltd.	Controlled by Ms. Zhu and Ms. Wang
Hong Kong Sunward Fishery Restaurant Management Co., Ltd.	Controlled by Ms. Zhu
Nanjing Jiangdong Sunward Fishery Restaurant Co., Ltd.	Controlled by Ms. Zhu
Nanjing Xinzijin Sunward Fishery Restaurant Co., Ltd.	Controlled by Ms. Zhu
Nanjing Yongji Sunward Fishery Restaurant Co., Ltd.	Controlled by Ms. Zhu
Ningbo dongqian lake tourist resort Xiyue leisure tourism Co., Ltd.	Controlled by Ms. Zhu
Ningbo Jiangbei Sunward Fishery Restaurant Co., Ltd.	Controlled by Ms. Zhu
Ningbo Tianyi Sunward Fishery Restaurant Co., Ltd.	Controlled by Ms. Zhu
Ningbo Yinzhou Sunward Logistics Co., Ltd.	Controlled by Ms. Zhu
Shanghai Congshao Dessert Co., Ltd.	Controlled by Ms. Zhu and Ms. Wang
Shanghai Congshao Restaurant Management Co., Ltd.	Controlled by Ms. Zhu and Ms. Wang
Shanghai Putuo Sunward Fishery Restaurant Co., Ltd.	Controlled by Ms. Zhu
Shanghai Zhonghengkuaijian Brand Management Co., Ltd.	Controlled by Ms. Zhu
Shanghai Zhongmin Investment Development Group Co., Ltd.	Controlled by Ms. Zhu
Shanghai Zhongmin Investment Management Co., Ltd.	Controlled by Ms. Zhu
Shanghai Nuopin Company Management Co., Ltd.	Controlled by Ms. Zhu
Shanghai Shipin Company Management Co., Ltd.	Controlled by Ms. Zhu
Shanghai Zhongxiao Brand Management Co., Ltd.	Controlled by Ms. Zhu
Shanghai Zhongyou Information Technology Co., Ltd.	Controlled by Ms. Zhu
Shenzhen Bangrun Commercial factoring Co., Ltd.	Controlled by Ms. Zhu
Shenzhen Congshao Restaurant Management Co., Ltd.	Controlled by Ms. Zhu and Ms. Wang
Tianjin Congshao Restaurant Management Co., Ltd.	Controlled by Ms. Zhu and Ms. Wang
Wuhan Congshao Restaurant Management Co., Ltd.	Controlled by Ms. Zhu and Ms. Wang
Zhejiang Sunward Fishery Restaurant Co., Ltd.	Controlled by Ms. Zhu
Zhejiang Zhonggangjumei Supply Chain Management Co., Ltd.	Controlled by Ms. Zhu
Shanghai Jiangbo Business Consulting Co., Ltd.	Controlled by Ms. Zhu
Shanghai MIN Hongshi Trading Co., Ltd.	Controlled by Ms. Wang
Shanghai MIN Zunshi Trading Co., Ltd.	Controlled by Ms. Wang
Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd.	Controlled by Ms. Wang
Shanghai Xiao Nan Guo Restaurant Co., Ltd.	Controlled by Ms. Wang
Shenzhen Xiao Nan Guo Restaurant Management Co., Ltd.	Controlled by Ms. Wang
WM Ming Hotel Co., Ltd.	Controlled by Ms. Wang
Xiao Nan Guo (Group) Co., Ltd.	Controlled by Ms. Wang
Xiao Nan Guo Holdings Limited	Controlled by Ms. Wang
CCLG	A company under the significant influence of the Company

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(a) As of December 31, 2017 and 2018, the following balances were due from/ to the related parties:

<i>Current assets</i> <i>Amount due from related parties</i>	As of December 31,	
	2017	2018
	US\$	US\$
Zhejiang Sunward Fishery Restaurant Co., Ltd.	1,589,780	-(i)
Shanghai Congshao Dessert Co., Ltd.	373,704	812,352(i)
Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd., net of allowance for doubtful account of \$nil and \$676,476 at December 31, 2017 and December 31, 2018, respectively (see Note 22 under <i>Legal Proceedings</i>)	261,399	-(i)
Shanghai Congshao Restaurant Management Co., Ltd.	154,276	85,235(i)
Shanghai Zhonghengkuaijian Brand Management Co., Ltd.	136,392	195,739(i)
Shenzhen Bangrun Commercial factoring Co., Ltd.	117,615	-(i)
Shanghai Zhongxiao Brand Management Co., Ltd.	113,018	162,356(i)
Nanjing Xinzijin Sunward Fishery Restaurant Co., Ltd.	110,753	-(i)
Zhejiang Zhonggangjumei Supply Chain Management Co., Ltd.	59,610	-(i)
Nanjing Jiangdong Sunward Fishery Restaurant Co., Ltd.	32,823	6,331(i)
Shanghai Zhongyou Information Technology Co., Ltd.	32,309	48,244(i)
Nanjing Yongji Sunward Fishery Restaurant Co., Ltd.	32,266	35,410(i)
Shanghai Putuo Sunward Fishery Restaurant Co., Ltd.	24,974	9,722(i)
CCLG	17,467	30,573(i)
Tianjin Congshao Restaurant Management Co., Ltd.	3,036	-(i)
Ningbo Tianyi Sunward Fishery Restaurant Co., Ltd.	1,648	-(i)
Shenzhen Congshao Restaurant Management Co., Ltd.	1,517	1,636(i)
Wuhan Congshao Restaurant Management Co., Ltd.	210	1,658(i)
Shanghai Zhongmin Investment Development Group Co., Ltd.	-	909,025(ii)
Ningbo Yinzhou Sunward Logistics Co., Ltd.	-	80,213(i)
Shanghai Nuopin Company Management Co., Ltd.	-	123
Shanghai Shipin Company Management Co., Ltd.	-	92
Total	3,062,797	2,378,709

(i) The amounts represent the receivables due from related parties relating to the online direct sales and online platform services.

(ii) The amount represents the payable due from related parties relating to the daily operations.

JMU LIMITED

FORMERLY KNOWN AS WOWO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018**18. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)***Current liabilities**Amount due to related parties*

	As of December 31,	
	2017	2018
	US\$	US\$
Ms. Zhu	385,123	844,384 (iv)
Ms. Wang	-	395,832 (iv)
WM Ming Hotel Co., Ltd.	89,938	945,082 (iii)
Chung So Si Fong Dessert Limited	84,054	493,973 (iii)
Ningbo dongqian lake tourist resort Xiyue leisure tourism Co., Ltd.	38,424	- (iii)
Shanghai MIN Zunshi Trading Co., Ltd.	3,483	3,647 (iii)
Ningbo Yinzhou Sunward Logistics Co., Ltd.	1,649	- (iii)
Cong Shao (Macao) Star Dessert Co., Ltd	1,212	- (iii)
Shanghai MIN Hongshi Trading Co., Ltd.	-	1,514,246 (iv)
Xiao Nan Guo (Group) Co., Ltd.	-	- (iv)
Shanghai Xiao Nan Guo Restaurant Co., Ltd.	-	436,332 (iv)
Shanghai Zhongmin Investment Management Co., Ltd	-	407,243 (iv)
Hong Kong Sunward Fishery Restaurant Management Co., Ltd.	-	88,768 (iii)
Zhejiang Sunward Fishery Restaurant Co., Ltd.	-	5,084 (iii)
Tianjin Congshao Restaurant Management Co., Ltd.	-	118 (iii)
Total	603,883	5,134,709

(iii) The amounts represent the payables due to related parties relating to online direct sales and online platform services.

(iv) The amount represents the payable due to related parties relating to the daily operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

18. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)*Non-current liabilities**Amount due to related parties*

	As of December 31,	
	2017	2018
	US\$	US\$
Ms. Zhu	5,685,971	5,704,257(v)
Shanghai Jiangbo Business Consulting Co., Ltd.	-	1,188,059(vi)
Total	5,685,971	6,892,316

(v) The amount represents the balance due to related parties relating to the loan borrowed from Ms. Zhu and maturity date on December 31, 2020. For the year ended December 31, 2018, interest expense incurred on loan from Ms. Zhu was \$374,273.

(vi) The amount represents the balance due to related parties relating to the loan borrowed from Shanghai Jiangbo Business Consulting Co., Ltd., and maturity date on December 31, 2020.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018**18. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)**

(b) Details of related party transactions occurred during the years ended December 31, 2016, 2017 and 2018 were as follows:

Revenue from

	For the years ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd.	2,296,225	8,571,389	2,677,619(vii)
Xiao Nan Guo Holdings Limited	6,056,439	6,108,606	5,344,005(vii)
Chung So Si Fong Dessert Limited	388,618	1,391,080	1,687,608(vii)
Hong Kong Sunward Fishery Restaurant Management Co., Ltd.	460,132	471,129	324,373(vii)
Shanghai Congshao Dessert Co., Ltd.	172,521	357,017	-(vii)
Shanghai Congshao Restaurant Management Co., Ltd.	160,701	189,617	276,085(vii)
Nanjing Jiangdong Sunward Fishery Restaurant Co., Ltd.	26,149	118,413	169,032(vii)
Nanjing Xinzijin Sunward Fishery Restaurant Co., Ltd.	82,155	60,536	-(vii)
Cong Shao (Macao) Star Dessert Co., Ltd.	-	58,159	5,508(vii)
Zhejiang Zhonggangjumei Supply Chain Management Co., Ltd.	296,727	51,484	-(vii)
Shanghai Putuo Sunward Fishery Restaurant Co., Ltd.	21,631	45,468	20,449(vii)
Tianjin Congshao Restaurant Management Co., Ltd.	676	28,345	-(vii)
Nanjing Yongji Sunward Fishery Restaurant Co., Ltd.	15,692	15,063	-(vii)
WM Ming Hotel	37,631	11,737	232,757(vii)
Shenzhen Congshao Restaurant Management Co., Ltd.	865	5,135	-(vii)
Ningbo Jiangbei Sunward Fishery Restaurant Co., Ltd.	-	1,428	-(vii)
Wuhan Congshao Restaurant Management Co., Ltd.	-	620	-(vii)
Shenzhen Xiao Nan Guo Restaurant Management Co., Ltd.	5,392	-	-(vii)
Ningbo Yinzhou Sunward Logistics Co., Ltd.	56,722	-	47,119(vii)
Zhejiang Sunward Fishery Restaurant Co., Ltd.	-	-	78,422(vii)
CCLG	-	-	7,878(vii)
Shanghai Zhongyou Information Technology Co., Ltd.	-	-	1,664(vii)
Shanghai Zhongxiao Brand Management Co., Ltd.	-	-	442(vii)
Nanjing Yongji Sunward Fishery Restaurant Co., Ltd.	-	-	99(vii)
Total	10,078,276	17,485,226	10,873,060

(vii) The amounts represent the revenue generated from the Group's online direct sales.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018**18. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)***Rental expense to*

	For the years ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Xiao Nan Guo (Group) Co., Ltd.	218,212	-	399,380(viii)
Total	218,212	-	399,380

(viii) The amount represents the rental expense paid for the Group's office.

Services fee charged by

	For the years ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
CCLG	169,741	164,215	295,314(ix)
Total	169,741	164,215	295,314

(ix) The amount represents the logistics fee charged by the related party for the Group's online direct sales.

Loan borrowed from

	For the years ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Ms. Zhu	-	5,685,971	498,064(x)
Shanghai Jiangbo Business Consulting Co., Ltd.	-	-	1,188,059(xi)
Xiao Nan Guo (Group) Co., Ltd.	6,024,096	-	-(xii)
Total	6,024,096	5,685,971	1,686,123

(x) The amount represents the loan borrowed from Ms. Zhu and maturity date on December 31, 2020. For the year ended December 31, 2018, interest incurred on the loan from Ms. Zhu was \$374,273.

(xi) The amount represents the loan borrowed from Shanghai Jiangbo Business Consulting Co., Ltd. and maturity date on December 31, 2020.

(xii) The amount represents the interest-free loan borrowed by the Group from related party, which has been repaid by the Group in 2016.

(c) In July 2017, the VIE, entered into a banking facility agreement with Bank of Dalian Shanghai Branch, pursuant to which the VIE is entitled to borrow RMB denominated loan of RMB50 million (\$7.6 million). On August 6, 2018, the Group extended the loan to August 5, 2019. The Company's shareholders, Ms. Zhu and Ms. Wang provided guarantees for the VIE's facility and Ms. Wang also provided her own property as collateral. (Note 11)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

19. COMMITMENTS AND CONTINGENCIES

Capital Commitments

The Group's capital commitments primarily relate to commitments in connection with the investment in CCLG. Total capital commitments contracted but not yet reflected in the financial statements amounted to \$2.3 million and \$2.2 million as of December 31, 2017 and 2018, respectively.

Operating lease commitments

The Group leases certain office premises under non-cancellable leases. The lease for the Company's former headquarters located in Shanghai was terminated by the Company on December 21, 2018. The lease which commenced in July 2015 and was due to expire in July 2030, provided for increases in the basic monthly rent ranging from RMB1.90 per square meter per day in 2015 to RMB3.10 per square meter per day in 2025. As of the December 21, 2018 lease termination date, there was approximately RMB31,000,000 (approximately \$4,500,000) of remaining lease payments due under the lease. If the Company terminates the lease without the permission of the lessor, the original lease as amended provides for the Company's payment of the breach of contract liability for the purpose of mitigating the lessor's loss on early termination by the Company. While the Company counsel believes that the Company is in default of the breach of contract provision under the lease, it is Counsel's opinion that the Company's responsibility is limited to the extent of the Company's security deposit of RMB795,763 (\$115,739) and courts would provide relief from any amounts in excess of that. To the date of issuance of these financial statements, the Company as lessee has not had contact with the lessor and has determined that the space terminated by it has been re-leased to a new tenant by the lessor. Accordingly, the Company wrote off this deposit as of December 21, 2018 and recognised an expense of the same amount during the year ended December 31, 2018.

The two leases for the Company's new headquarters located in Shanghai commenced on November 1, 2018 and expire on April 30, 2019 and December 31, 2020. The lease expiring April 2019 provided for monthly rent of RMB70,000 (approximately \$10,300) and the lease expiring December 2020 provides for monthly rent of RMB30,000 (approximately \$4,400).

Rental expense/(credit) under operating leases for the years ended December 31, 2016, 2017 and 2018 were \$2,243,907, \$1,223,390 and (\$769,824), respectively. The rent expense credit for the year ended December 31, 2018 reflects a credit of \$1,312,284 representing the writeoff of the rent liability balance as of December 31, 2018 representing the straight-lining of the seven month rent free period and the step increases in monthly rent regarding the lease of the Company's former headquarters which was terminated on December 21, 2018. In addition, rent expense for the year ended December 31, 2018 included rent incurred for the period January 1, 2018 to December 21, 2018 for the lease of the former headquarters of \$568,111.

The future aggregate minimum lease payments under non-cancelable operating lease agreements (represented by the two leases for the new Shanghai headquarters) were as follows:

Years ending December 31,	US\$
2019	93,084
2020	52,360
Total	145,444

Rent expense for the year ended December 31, 2018 includes \$24,936 related to the two leases for the new Shanghai headquarters.

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20. MAINLAND CHINA CONTRIBUTION PLAN

Full time PRC employees of the Group are eligible to participate in a government-mandated multi- employer defined contribution plan under which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to these employees. The PRC labor regulations require the Group to accrue for these benefits based on a percentage of each employee's income. Total provisions for employee benefits were \$1,297,485, \$1,656,561 and \$1,053,575 for the years ended December 31, 2016, 2017 and 2018, respectively, reported as a component of operating expenses when incurred.

21. STATUTORY RESERVES AND RESTRICTED NET ASSETS

In accordance with the Regulations on Enterprises with Foreign Investment of China and their articles of association, the Group's subsidiaries, VIE and VIE's subsidiaries located in the PRC, being foreign invested enterprises established in the PRC, are required to provide for certain statutory reserves. These statutory reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund or discretionary reserve fund, and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires a minimum annual appropriation of 10% of after-tax profit (as determined under accounting principles generally accepted in China at each year-end); the other fund appropriations are at the subsidiaries' or the affiliated PRC entities' discretion. These statutory reserve funds can only be used for specific purposes of enterprise expansion, staff bonus and welfare, and are not distributable as cash dividends except in the event of liquidation of our subsidiaries, our affiliated PRC entities and their respective subsidiaries. The Group's subsidiary, VIE and VIE's subsidiaries are required to allocate at least 10% of their after-tax profits to the general reserve until such reserve has reached 50% of their respective registered capital. As of December 31, 2017 and 2018, none of the Group's PRC subsidiary, VIE and VIE's subsidiaries has a general reserve that reached 50% of their registered capital threshold and therefore they will continue to allocate at least 10% of their after tax profits to the general reserve fund.

Appropriations to the enterprise expansion reserve and the staff welfare and bonus reserve are to be made at the discretion of the Board of Directors of each of the Group's subsidiaries.

The appropriation to these reserves by the Group's PRC subsidiary, VIE and VIE's subsidiaries were all \$nil for the years ended December 31, 2016, 2017 and 2018.

As a result of these PRC laws and regulations and the requirement that distributions by the PRC entities can only be paid out of distributable profits computed in accordance with the PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Group. Amounts restricted include paid-in capital and the statutory reserves of the Group's PRC subsidiary, VIE and VIE's subsidiaries.

The aggregate amounts of capital and statutory reserves restricted which represented the amount of net assets of the relevant subsidiary, VIE and VIE's subsidiaries in the Group not available for distribution were \$28,213,892 and \$28,213,892 as of December 31, 2017 and 2018, respectively, including \$1,614,140 and \$1,614,140 of net restricted assets recorded under VIE and VIE's subsidiaries in the Group.

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FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

22. SUBSEQUENT EVENTS***Legal Proceedings***

On January 11, 2019, Shanghai MIN Hongshi Trading Co., Ltd., or Shanghai Hongshi, filed a claim with the Shanghai Yangpu People's Court, or the Shanghai Yangpu Court, against Zhongmin, alleging that Zhongmin had failed to repay a loan of RMB10 million (\$1,454,440 at December 31, 2018) due to Shanghai Hongshi. On January 14, 2019, the Shanghai Yangpu Court issued a civil ruling paper of property preservation, which ordered the freezing of RMB 10 million deposit of Zhongmin or the attachment of the equivalent property. In January 2019, the Bank of Shanghai froze a total of RMB476,376 (\$69,286) of Company cash in two accounts at the bank (at December 31, 2018, cash in the Company's balance sheet included RMB361,070 (\$52,515) related to these two frozen accounts). A civil summons was also issued by the Shanghai Yang Pu Court on January 14, 2019 requesting the summoned appear before the court on February 13, 2019. The two parties are currently negotiating on a settlement, and Zhongmin has applied to the court for a postponement of the hearing. The specific time of the hearing is to be notified by the court. At December 31, 2018, current liabilities include an amount due to Shanghai Hongshi representing loans from that entity of \$1,514,246 within "Amount Due to Related Parties" (see Note 18).

On February 1, 2019, WM Ming Hotel Co., Ltd., or WM Ming, filed a claim with the Shanghai Yangpu Court against Zhongmin, alleging that Zhongmin failed to repay a loan of RMB 6 million (\$872,664 at December 31, 2018) due to WM Ming. At December 31, 2018, current liabilities include an amount due to WM Ming representing loans from that entity of \$945,082 within "Amount Due to Related Parties" (see Note 18).

The legal representative of Shanghai Hongshi and WM Ming is Ms. Huimin Wang, who is also our director. Although we are attempting to negotiate with the relevant parties, uncertainties exist as to whether we are obligated to pay the two loans mentioned in the preceding two paragraphs.

Should the Company lose in litigation and be required to repay the amounts owed to the Ms. Wang controlled entities aggregating RMB16,000,000 (\$2,327,104) and should Ms. Zhu or the new controlling shareholder of the Company be unwilling or unable to fund this liability, it is highly unlikely that the Company will be able to collect the \$676,476 that is owed the Company from revenue from the sale of products to Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd., another entity controlled by Ms. Wang, included in Amounts Due From Related Parties at December 31, 2018. Accordingly, as of December 31, 2018 and for the year ended December 31, 2018, the Company has provided an allowance for doubtful account of \$676,415 to reserve for this loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

22. SUBSEQUENT EVENTS (CONTINUED)***Acquisition of Unicorn Investment Limited***

On May 21, 2019, JMU acquired Unicorn Investment Limited (“Unicorn”) in exchange for 632,660,858 newly issued ordinary shares of JMU.

Unicorn is a developer of asset transaction platform products based on blockchain technologies. The former shareholder of Unicorn and the seller in the acquisition, Mr. Haohan Xu, is a principal shareholder of the Company. Mr. Xu held 25.7% of all the issued and outstanding shares of the Company immediately prior to the closing of the acquisition, and holds approximately 48.0% of all the issued and outstanding shares of the Company immediately after the closing of the acquisition. According to unaudited financial statements of Unicorn provided to the Company pursuant to the Share Purchase Agreement dated May 21, 2019, the unaudited assets of Unicorn, which are subject to change based upon a completion of an audit, were approximately \$1,309,000 at March 31, 2019, consisting principally of crypto-currency coins, and the unaudited stockholders’ equity was approximately \$1,056,000. In addition, prior to the date of the acquisition, Unicorn had unaudited revenues of approximately \$960,000 for the year ended December 31, 2018 and approximately \$90,000 for the three months ended March 31, 2019 and had unaudited net income (loss) of approximately \$641,000 for the year ended December 31, 2018 and approximately (\$103,000) for the three months ended March 31, 2019.

The Share Purchase Agreement provides for a right of rescission for a period of up to one year by either party under certain conditions.

In connection with our acquisition of Unicorn, we entered into a registration rights agreement with Mr. Xu.

Upon receipt of a written request from the holders of 10% of the registrable securities then outstanding requesting us effect a registration under the Securities Act covering all or part of the shares held by them, we shall, as soon as it is practicable, but in no event later than ninety days after receipt of such written request, file with the SEC, and use our reasonable best effort to cause to be declared effective, a registration statement, or a shelf registration statement. However, we shall not be obligated to effect any such registration if the aggregate price (net of any underwriters’ discounts or commissions) of the sale of shares relating to such registration is less than \$5,000,000.

If, at any time, we file a registration statement with the SEC, holders of registration rights under this agreement will be entitled, subject to certain exceptions, to exercise “piggyback” registration rights requiring us to include in any such registration that number of shares held by them, subject to certain prescribed limitation provided in the registration rights agreement.

We may, on a limited number of occasions, and in certain prescribed circumstances, delay the filing or effectiveness of any registration statement required to be filed pursuant to the registration rights agreement.

Financial Support from Company Chief Executive Officer

From January 1, 2019 to April 30, 2019, the Company received loans from its chief executive officer Ms. Zhu and entities controlled by Ms. Zhu totaling RMB7,290,000 (approximately \$1,060,000).

December 31, 2018

To Whom It May Concern:

To ensure the cash flow requirements of the operation of Join Me Group (HK) Investment Company Limited (“**JMU HK**”) and Shanghai Zhongming Supply Chain Management Co., Ltd. (“**Shanghai Zhongming**”), the subsidiaries of JMU Limited (the “**Company**”), and Shanghai Zhongmin Supply Chain Co., Ltd. and its subsidiaries (the “**VIE Entities**”), controlled by the Company through variable interest entity agreements, are met and/or to set off any loss accrued during such operations until June 28, 2020, the undersigned, the Company, is obligated and hereby undertakes to provide unlimited financial support to the JMU HK, Shanghai Zhongming and the VIE Entities, to the extent permissible under the applicable PRC laws and regulations, whether or not any such operational loss is actually incurred. The form of financial will not request repayment of the loans or borrowings if the or its shareholders do not have sufficient funds or are unable to repay.

Please confirm receipt of this letter by returning a signed copy of this letter to the undersigned.

JMU Limited

/s/ Xiaoxia Zhu

Name: Xiaoxia Zhu

Title: Authorized Signatory

December 31, 2018

To: JMU Limited. (the “**Company**”)

To Whom It May Concern:

To ensure the cash flow requirements of the Company, the undersigned, is obligated and hereby undertakes to provide necessary financial support to the Company until June 28, 2020 and as long as the undersigned remains director and the chief executive officer of the Company, to the extent permissible under the applicable laws and regulations,

Please confirm receipt of this letter by returning a signed copy of this letter to the undersigned.

/s/ Xiaoxia Zhu

Name: Xiaoxia Zhu

Exclusive Business Operation Agreement

This Exclusive Business Operation Agreement (hereinafter referred to as the "Agreement") is made in Beijing, the People's Republic of China ("PRC") as of May 17, 2019 by and between:

- (1) Beijing Lianji Technology Co., Ltd., having its registered office at Room 003, Tower B, No. 1 Building, No. 38 Zhongguancun Street, Haidian District, Beijing and with Longming Wu as its legal representative ("Party A"); and
- (2) Beijing Lianji Future Technology Co., Ltd., having its registered office at No.2004, 2/F, No.11 Wanliu Middle Road, Haidian District, Beijing and with Longming Wu as its legal representative ("Party B");

Party A and Party B are hereinafter collectively referred to as the "Parties" and individually as a "Party" or "Other Party."

Whereas:

1. Party A is a limited liability company established in accordance with the laws of the PRC. The business scope and main business of Party A cover "technology development, technical consultation, technical service and technology transfer in the field of network technology and information technology, computer software and hardware development and sales, advertising business, marketing planning, business information consultation, real estate brokerage, investment consultation, computer network product technology development and domestic trade (excluding those prohibited by the laws, administrative regulations and decisions of the State Council, and items restricted thereby can be operated only after obtaining the permission)" ("Main Business");
2. Party B is a foreign-funded enterprise established in accordance with the laws of the PRC and has rich experience and human resources in technology R&D, market promotion and daily operation and maintenance of facilities and systems;
3. Party A desires to entrust Party B to provide Party A with operation and maintenance services related to its Main Business, and Party B is intended to accept the entrustment from Party A to provide it with relevant services.

NOW, THEREFORE, after friendly consultation, the Parties hereby agree as follows:

1. Definitions

Unless otherwise stipulated herein, the following terms shall have the meaning ascribed to them as follows:

- 1.1 "Main Business" has the meaning set forth in the whereas clause hereof.
 - 1.2 "Facilities and Systems" mean hardware equipment and software systems purchased by Party A or Party B for the Main Business, including but not limited to servers, computers and application software.
-

- 1.3 “Market Promotion Services” mean any promotion services for the Main Business which are provided by Party B to Party A in accordance with this Agreement. The purpose of such services is to expand the visibility of Party A and increase the number of users of Party A.
- 1.4 “Operation and Maintenance Services” mean any system operation and maintenance services provided by Party B to Party A.
- 1.5 “Comprehensive Services” mean market promotion services and operation and maintenance services.
- 1.6 “Comprehensive Service Charges” mean any charges payable by Party A to Party B as set forth in Clause 5.1 hereof in respect of the comprehensive services as set forth in Clause 3 hereof which are provided by Party B to Party A pursuant to this Agreement.
- 1.6 “Cooperation Period” means the period beginning on the date of signing of this Agreement and ending on the date of termination of Party B’s operation period and such early termination period as may be confirmed in writing by the Parties.
- 1.7 “Prudent Industry Practices” mean any recognized standards that may be amended from time to time for the operation, maintenance and management of Facilities and Systems by enterprises which are engaged in the same or similar business as Party B to the extent of safety, efficiency, economy, reliability and related manufacturer’s recommendations.

2. Entrustment

Party A hereby designates Party B as its provider of comprehensive services, and Party B accepts Party A’s entrustment and agrees to provide comprehensive services to Party A in accordance with the terms and conditions of this Agreement.

3. Scope of Comprehensive Services

- 3.1 During the Cooperation Period, Party B shall provide Party A with the following market promotion services to Party A in a loyal and efficient manner:
 - 3.1.1 To draw up a promotion plan in accordance with the market practices for the business of Party A;
 - 3.1.2 To organize the implementation of the above promotion plan;
 - 3.1.3 To seek, select and contact real estate developers and real estate intermediary service organizations for Party A, and to promote the establishment and maintenance of the cooperation relationship between Party A and such organizations;
 - 3.1.4 To coordinate and deal with other third party matters involved in Party A's business.
 - 3.2 During the Cooperation Period, Party B shall provide Party A with the following operation and maintenance services to Party A in a loyal and efficient manner:
 - 3.2.1 To purchase from relevant suppliers any hardware equipment and software system required by Party A according to Party A's business development planning and construction plan;
-

- 3.2.2 To be responsible for the daily operation and maintenance of Facilities and Systems related to Party A's business in accordance with Prudent Industry Practices and operating instructions agreed upon by the parties;
- 3.2.3 To be responsible for the daily inspection, overhaul, urgent repair and other maintenance of Facilities and Systems related to Party A's business.
- 3.2.4 To be responsible for coordination, communication and business negotiation with the IDC service provider.
- 3.3 In addition to the services as set out in Sub-clauses 3.1 and 3.2 hereof above, the comprehensive services provided by Party B to Party A under this Agreement shall also include any other market promotion services and operation and maintenance services provided at Party A's request.

4. Authorization

- 4.1 In order to enable Party B to provide comprehensive services more efficiently, Party A hereby irrevocably appoints Party B (and any of its assignees or sub-assignees) as its agent to, on behalf of and in the name of Party A or otherwise (at its own discretion),
 - 4.1.1 sign relevant documents or other documents with any third parties (including but not limited to suppliers and customers);
 - 4.1.2 handle any matters that Party A is obligated to handle under this Agreement but has not handled; and
 - 4.1.3 sign all necessary documents and handle all necessary matters so that Party B can fully exercise all or any of its rights under this Agreement.
- 4.2 Where necessary, Party A shall, at Party B's request, issue an independent power of attorney to Party B at any time in respect of a certain matter.
- 4.3 Party A shall retroactively recognize and confirm any matters that the agent handles or intends to handle pursuant to the terms of appointment as set forth herein.

5. Payment and Settlement of Comprehensive Service Charges

- 5.1 In consideration of Party B's provision of comprehensive services to Party A, Party B shall collect comprehensive service charges from Party A which may reach the full balance of Party A's total income after deduction of its costs and expenses.
 - 5.2 Party B shall summarize the comprehensive service charges on an annual basis and notify Party A of the comprehensive service charges for the previous year within thirty days from the date of the beginning of each year. Party A shall, within 30 days after Party B gives the above notice, pay the amount of the comprehensive service charges contained in such notice to Party B's designated bank account. Party A shall adjust at any time the time and method of payment of the service charges in accordance with Party B's specific requirements.
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- 5.3 In case of any delay in payment by Party A of any amount payable under this Agreement, Party A shall pay a default fine for the overdue payment to Party B in accordance with this Agreement. Such default fine for the overdue payment shall be calculated on the basis of 0.04% of the overdue payment per day from the due date of payment to the date on which Party B receives the full payment (together with such default fine).

6. Party A's Undertakings

Party A agrees and undertakes that, during the Cooperation Period,\

- 6.1 Party A shall, at Party B's reasonable request from time to time, allow Party B or its assignees to consult and obtain any financial reports, financial statements and other information relating to Party A's financial information, business and operating conditions;
 - 6.2 Party A shall, at Party B's request, provide Party B with all materials and information required for Party B's provision of the services as set forth in this Agreement, and shall ensure the authenticity and accuracy of such materials and information;
 - 6.3 Party A shall obtain at its own expense all government approvals, permits and licenses relating to its Main Business and other business, and shall maintain them in full force and effect;
 - 6.4 If Party A is informed of any breach of this Agreement, it shall notify Party B promptly and provide Party B with the details of any measures that Party A is taking or plans to take to remedy or mitigate any consequences arising from such event and to protect Party B's rights and interests under this Agreement;
 - 6.5 Party A shall comply with and observe the terms and conditions of this Agreement during the Cooperation Period, and Party A shall not procure or permit any operation of its related business in any way contrary to the laws or regulations of the PRC;
 - 6.6 Party A shall pay and discharge or cause to be paid and discharged all debts due and payable and damages;
 - 6.7 Party A shall promptly pay any registration fees, taxes, fines, penalties or interests thereon to be paid by it in accordance with the law
 - 6.8 Party A shall promptly provide Party B with all agreements relating to the operation of the business as may be reasonably required by Party B from time to time, and shall keep any relevant accurate, complete and up-to-date records.
 - 6.9 Unless approved by the Board of Directors of Party B and agreed in writing, Party A shall not engage any third parties to provide it with all or part of the services under this Agreement.
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7. Party B's Undertakings

Party B agrees and undertakes that, during the Cooperation Period,

- 7.1 Party B shall obtain all government approvals, permits and licenses required for the provision of integrated services, and shall maintain them in full force and effect;
- 7.2 If Party B is informed of any breach of this Agreement, it shall notify Party A promptly and provide Party A with the details of any measures that Party B is taking or plans to take to remedy or mitigate any consequences arising from such event and to protect Party A's rights and interests under this Agreement;
- 7.3 Party B shall, during the duration of this Agreement, comply with and observe the terms and conditions as set forth in this Agreement, and Party B shall not provide its integrated services in any way contrary to the laws or regulations of the PRC;
- 7.4 Party B shall employ sufficient and qualified employees to perform its obligations to provide integrated services under this Agreement. Party B shall ensure that any employees employed by it provide services to Party A in a loyal and efficient manner;
- 7.5 Party B shall formulate specific regulations for management of integrated service in accordance with Prudent Industry Practices. Party B shall also establish, record and maintain any data and archives of its outsourced management comprehensive services in accordance with Prudent Industry Practices;
- 7.6 Party B shall establish and maintain accurate, complete and up-to-date records for the provision of integrated services.

8. Taxes

- 8.1 The Parties agree that any taxes payable by each party for the performance of this Agreement shall be paid by such party in accordance with the relevant laws and regulations of the PRC.
- 8.2 The Parties shall pay their respective expenses in relation to this Agreement.

9. Representations and Warranties

Each party represents and warrants to the other party that, as of the date of signing of this Agreement,

- 9.1 such party shall have the full powers, rights and authority to enter into this Agreement and to perform each of its obligations under this Agreement;
 - 9.2 Any provisions of this Agreement shall constitute the legal, effective and binding obligations of such party.
 - 9.3 Neither the signing of this Agreement by such Party nor the performance of its obligations under this Agreement shall contravene, conflict with or cause any breach of the terms, provisions or conditions of such party's articles of association or other legal documents or constitute a non-performance of the above terms, provisions or conditions.
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10. Indemnity and Limitation of Liability

10.1 Indemnity

- 10.1.1 Party B shall be liable for, indemnify and hold harmless Party A from and against all losses, damages, costs, liabilities, actions, penalties or any other relevant expenses incurred by Party A due to any willfulness or gross neglect of duty by Party B's employees, including but not limited to any legal costs and expenses incurred by Party A therefor.
- 10.1.2 Party A shall be liable for, indemnify and hold harmless Party B from and against all losses, damages, costs, liabilities, actions, penalties or any other relevant expenses incurred by Party B due to any willfulness or gross neglect of duty by Party A's employees, including but not limited to any legal costs and expenses incurred by Party B therefor.

10.2 Limitation of Liability

- 10.2.1 Notwithstanding the provisions of Clause 10.1.1 hereof, within each contract year, Party B's indemnity liability under Clause 10.1.1 hereof shall be limited to the integrated service charges actually collected by Party B in the year of the end of the liability event.
- 10.2.2 Notwithstanding the provisions of Clause 10.1.2 hereof, within each contract year, Party A's indemnity liability under Clause 10.1.2 hereof shall be limited to the amount of the integrated service charges that Party B is entitled to collect in the year of the end of the liability event.

11. Liability for Breach of Contract

- 11.1 The Parties shall consciously perform this Agreement based on the principle of good faith. Except as otherwise agreed herein, if either party breaches this Agreement, such party shall be liable for its breach of this Agreement in accordance with this Agreement and the applicable law. Notwithstanding the foregoing, neither party shall be liable to the other party for any indirect losses or damages under this Agreement.
- 11.2 The Parties agree and acknowledge that, for any breach of this Agreement during the Cooperation Period, the claim for damages and the specific performance shall be the full and all remedies available to the observant party; in any case during the Cooperation Period, the observant party shall waive its right to request the termination of this Agreement under any applicable law due to any breach of this Agreement by the breaching party.
- 11.3 Notwithstanding any other provisions of this Agreement, the validity of Article 11 hereof shall not be affected by the termination of this Agreement.

12. Force majeure

Force majeure under this Agreement means natural disasters, wars, political events and adjustments of laws, regulations and national policies. If any force majeure event directly affects the performance of this Agreement by either party on such terms and conditions as may be agreed upon by it, such party shall promptly notify the Other Party or its authorized agent of such event, and shall, within fifteen (15) days, provide the details of such force majeure and the reasons and valid supporting documents (issued by the notary office in the place where such force majeure occurs) for the failure to perform or fully perform this Agreement or the necessity to delay the performance of this Agreement. The Parties shall, to the extent of the impact of such force majeure on the performance of this Agreement, decide through consultation on the performance of this Agreement and whether to agree to the incomplete performance, delay in performance or non-performance by the party involved in such force majeure event of its obligations under this Agreement.

13. Termination

- 13.1 This Agreement shall be canceled only if:
 - 13.1.1 The Parties unanimously agree to terminate this Agreement;
 - 13.1.2 The Cooperation Period has expired, and the Parties are not intended to extend the Cooperation Period; or
 - 13.1.3 Any force majeure events render the performance of this Agreement to become impossible.
- 13.2 Rights and obligations of the Parties upon termination
 - 13.2.1 If this Agreement is terminated pursuant to Sub-Clause 13.1.1 hereof above, any rights and obligations of the Parties upon termination shall be subject to the termination between the Parties;
 - 13.2.2 If this Agreement is terminated pursuant to Sub-Clause 13.1.2 hereof above, the Parties shall immediately conduct settlement in accordance with the provisions of this Agreement for the annual settlement; or
 - 13.2.3 If this Agreement is terminated pursuant to Sub-Clause 13.2.3 hereof above, the Parties shall immediately conduct settlement in accordance with the provisions of this Agreement for the annual settlement, and each Party shall not assume any obligations to the Other Party from the completion of the settlement, provided that such party shall not be discharged from its liability for breach of this Agreement prior to the occurrence of the force majeure events.

14. Governing Law and Dispute Resolution

- 14.1 This Agreement shall be governed by and construed in accordance with the published and publicly available laws of the PRC, provided that if the published and publicly available laws do not provide for any specific matters relating to this Agreement, reference shall be made to general international business practices.
 - 14.2 Any disputes arising out of the performance of this Agreement or in relation to this Agreement shall be resolved through friendly consultation between the Parties.
 - 14.3 If any disputes can not be resolved through consultation within 60 days after one Party notifies the Other Party of its opinion on such disputes, either Party may submit such disputes to Hong Kong International Arbitration Centre for resolution through arbitration. The arbitration shall be conducted in accordance with the arbitration rules of Hong Kong International Arbitration Centre then in force, and the place of arbitration shall be Hong Kong. All proceedings for arbitration shall be conducted in Chinese. The arbitral award shall be final and binding on either Party hereto.
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15. Notices

- 15.1 Any notices or other communications given by either Party under this Agreement shall be in writing and shall be delivered by personal delivery, letter or fax to the address of the other party as set forth below or such other designated address as may be notified by the Other Party to such party from time to time. The date on which any notices are deemed to have been actually delivered shall be determined as follows: (a) if delivered by personal delivery, they shall be deemed to have been actually delivered on the date of personal delivery; (b) if sent by letter, they shall be deemed to have been actually delivered on the seventh (7th) day after the date of posting (as indicated by the postmark) of the registered airmail with postage prepaid or on the fourth (4th) day after the delivery to an internationally recognized courier service agency; (c) if sent by fax, they shall be deemed to have been actually delivered at the time of receipt as shown in the acknowledgement of transmission of the relevant document; (d) if sent by email, they shall be deemed to have been actually delivered when an email enters the electronic data interchange system of the email address provided by the party to be served.

Party A: Beijing Lianji Technology Co., Ltd.
Contact: Longming Wu
Address: Room 003, Tower B, No. 1 Building, No. 38 Zhongguancun Street, Haidian District, Beijing

Party B: Beijing Lianji Future Technology Co., Ltd.
Contact: Longming Wu
Address: No.2004, 2/F, No.11 Wanliu Middle Road, Haidian District, Beijing

16. Miscellaneous Provisions

- 16.1 This Agreement shall enter into force on the date of signature and seal by the Parties hereto.
- 16.2 Any amendment, waiver, cancellation or termination of any provisions of this Agreement shall be in writing and shall not enter into force until signed by the Parties hereto.
- 16.3 Without the written consent of the other party hereto, either Party hereto shall not divulge, use or apply any form of information in relation to the Other Party and/or this Agreement, including but not limited to the signing of this Agreement and the contents of this Agreement. The confidentiality obligations as set forth in this sub-clause shall survive the termination of this Agreement, provided that the provisions of this sub-clause shall not (1) apply to any disclosure by either party of any confidential information to its affiliates, professional consultants and employees of each party hereto, provided that in such a case such information shall be disclosed only to any persons or entities that need to know such information for their reasonable business; (2) prevent either party from making any announcement or disclosure as required by the applicable laws, regulations or rules of the stock exchange based on its good faith judgment.
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- 16.4 This Agreement shall constitute an entire agreement between the Parties in respect of the subject matter of this Agreement and supersede any prior expressions of intent or understandings in relation to this Agreement, and shall not be modified or amended unless made in writing and signed by the respective authorized representative of the Parties hereto.
- 16.5 No rights, powers and remedies conferred on each party by any provisions of this Agreement shall preclude any other rights, powers or remedies enjoyed by such party in accordance with the law and other provisions of this Agreement, and no exercise by either party of its rights, powers and remedies shall preclude any exercise by such party of its other rights, powers and remedies.
- 16.6 To the extent permitted by the laws of the PRC, no failure or delay by either party hereto in the exercise of all its rights under this Agreement shall be deemed to be a waiver of such rights; no single or partial exercise of a right shall preclude any further exercise of such right in the future.
- 16.7 All provisions of this Agreement may be separated and distinguished from each other. No invalidity, illegality or unenforceability of any provisions of this Agreement shall affect or impair the validity, legality or enforceability of any other provisions of this Agreement.
- 16.8 This Agreement is executed in four (4) copies, two (2) of which shall be held by each party respectively.

(The remainder of this page is intentionally left blank)

(This page is intentionally left blank as the signature page of the *Exclusive Business Operation Agreement* between Beijing Lianji Technology Co., Ltd. And Beijing Lianji Future Technology Co., Ltd.)

IN WITNESS WHEREOF, the parties have personally executed or caused their respective legally authorized representative to execute this Agreement as of the date first written above.

Beijing Lianji Technology Co., Ltd. (Seal)
/s/ Beijing Lianji Technology Co., Ltd.

(This page is intentionally left blank as the signature page of the *Exclusive Business Operation Agreement* between Beijing Lianji Technology Co., Ltd. And Beijing Lianji Future Technology Co., Ltd.)

IN WITNESS WHEREOF, the parties have personally executed or caused their respective legally authorized representative to execute this Agreement as of the date first written above.

Beijing Lianji Future Technology Co., Ltd. (Seal)
/s/ Beijing Lianji Future Technology Co., Ltd.

Exclusive Option Agreement

This Exclusive Option Agreement (“Agreement”) is made in Beijing, the People’s Republic of China (“PRC”) as of May 17, 2019 by and among:

- Party A: Beijing Lianji Future Technology Co., Ltd., having its registered office at No.2004, 2/F, No.11 Wanliu Middle Road, Haidian District, Beijing and with Longming Wu as its legal representative. (the “Party A”)
- Party B: Hong Zhou, having her domicile at *****, Shandong Province and holding its ID card No. *****, Longming Wu, having his domicile at *****, Shandong Province (collectively, with Hong Zhou, the “Party B”); and
- Party C: Beijing Lianji Technology Co., Ltd., having its registered office at Room 003, Tower B, No. 1 Building, No. 38 Zhongguancun Street, Haidian District, Beijing and with Longming Wu as its legal representative; (the “Party C”)

The parties hereto are hereinafter individually referred to as a “Party” or “Other Party” and collectively as the “Parties”.

Whereas:

1. Party A is a foreign-funded enterprise established in accordance with the laws of the PRC;
2. Party C is a limited liability company established in accordance with the laws of the PRC;
3. Party B are Chinese citizens and holds aggregate 100% of the equity interests of Party C (“equity interests”) as a registered shareholder of Party C;
4. Party A, Party B and Party C signed the *Equity Interest Pledge Agreement* (“Equity Interest Pledge Agreement”) on May 17, 2019;
5. Party A, Party C and its shareholders signed the *Exclusive Business Operation Agreement* (“Business Operation Agreement”) on May 17, 2019.

NOW, THEREFORE, after friendly consultation, the Parties hereby agree as follows:

1 Option

1.1 Grant of option

Party B hereby irrevocably grants Party A an exclusive option without any additional conditions. According to the option, Party A shall have the right, in accordance with the exercise steps determined by Party A at its own discretion as permitted by PRC law, at any time to purchase or designate one or more persons (“Designated Person(s)”) to purchase all or part of Party C’s equity interests held by Party B or a proprietary right to all or part of the assets owned by Party C (“Exclusive Option”) at the price referred to in Sub-clause 1.3 hereof. Any third parties other than Party A and/or Designated Person(s) shall not have the Exclusive Option. The term “person” stipulated in this Agreement shall include individuals, corporations, joint ventures, partnerships, enterprises, trusts or unincorporated organizations.

1.2 Exercise steps

Party A and/or Designated Person(s) may exercise the Exclusive Option by giving Party B a written notice (the “Purchase Notice”) in the form set out in Annex I hereto, specifying the equity interests to be purchased from Party B (“Purchased Equity Interests”) or the total amount of assets to be purchased from Party C and the purchase method.

Within seven (7) business days after receipt of the Purchase Notice by Party B, Party B shall enter into an equity interest transfer contract with Party A and/or Designated Person(s) according to the requirements of the Purchase Notice, or Party C shall enter into an asset transfer contract with Party A and/or Designated Person(s) according to the requirements of the Purchase Notice, as the case may be, to determine the transfer of the purchased equity interests or assets to Party A and/or Designated Person(s) as soon as possible.

1.3 Purchase price

1.3.1 When Party A exercises the Exclusive Option, unless the applicable laws and regulations of the PRC at that time require an assessment of the purchased equity interests or assets or impose other restrictive provisions on the price of the equity interests or assets, the purchase price of the Purchased Equity Interests (“Equity Interest Purchase Price”) or the purchase price of the purchased assets (“Asset Purchase Price”) shall be subject to the nominal or symbolic price; if the laws and regulations of the PRC applicable to the exercise of the Exclusive Option by Party A do not permit the transfer at the nominal or symbolic price, the Equity Interest Purchase Price shall be equal to the original investment price (“Original Investment Price”) paid by Party B for the Purchased Equity Interests, and the Asset Purchase Price shall be equal to the book value of the assets.

1.3.2 If the laws and regulations of the PRC applicable to the exercise of the Exclusive Option by Party A require an assessment of the purchased equity interests or assets or impose other restrictive provisions on the price of the equity interests or assets, Party A and Party B agree that the purchase price shall be the minimum price permitted by the applicable law. If the minimum price permitted by the applicable law is higher than the Original Investment Price of the Purchased Equity Interests and the book value of the purchased assets, Party B shall reimburse Party A the full excess amount after deduction of all taxes paid by Party B in accordance with the applicable laws and regulations of the PRC.

1.4 Transfer of purchased equity interests or assets

Whenever Party A exercises the Exclusive Option after giving a Purchase Notice under this Agreement,

1.4.1 Party B shall instruct Party C to promptly hold a shareholders’ meeting at which the adoption of a resolution shall be facilitated to approve the transfer of equity interests by Party B to Party A and/or Designated Person(s) and/or the transfer of assets by Party C to Party A and/or Designated Person(s);

1.4.2 Party B shall sign a waiver of the right of preemption as set out in Annex II hereto to express its consent to waive the right of preemption to any other equity interests of Party C;

- 1.4.3 Party B shall enter into an equity interest transfer contract with Party A and/or Designated Person(s) in respect of each transfer in accordance with this Agreement and the Purchase Notice on the Purchased Equity Interests;
- 1.4.4 Party C shall enter into an asset transfer contract with Party A and/or Designated Person(s) in respect of each transfer in accordance with this Agreement and the Purchase Notice on the purchased assets;
- 1.4.5 The Parties hereto shall sign all other necessary contracts, agreements or documents, obtain all necessary government approvals and consents and take all necessary actions to give the effective ownership of the Purchased Equity Interests to Party A and/or Designated Person(s) and to make Party A and/or Designated Person(s) the registered owner of the Purchased Equity Interests in the administrative department for industry and commerce (if applicable) without any security interest, and such equity interests or assets shall not be attached with any third-party interest. In this sub-clause and this Agreement, the term “security interest” shall include guarantees, mortgages, pledges, third-party rights or interests, any share options, acquisition rights, pre-emptive rights, rights of set-off, retention of title or other security arrangements but exclude any security interests arising under the *Equity Interests Pledge Agreement*.
- 1.4.6 Party B and Party C shall unconditionally assist Party A in obtaining all government approvals, permissions, registrations and filings required to transfer the purchased equity interests and assets and completing all necessary procedures.

1.5 Payment

The payment of the purchase price shall be determined through consultation between Party A and/or Designated Person(s) and Party B in accordance with the law applicable to the exercise of the Exclusive Option, and shall be expressly agreed upon in the equity interest transfer contract or the asset transfer contract signed at the time of each exercise of the Exclusive Option.

2 Undertakings of Party B and Party C

- 2.1 Without the prior written consent of Party A, they shall not supplement, modify or amend Party C's constitutional documents in any form, increase or decrease its registered capital or otherwise change its registered capital structure;
 - 2.2 Without the prior written consent of Party A, they shall not sell, assign, mortgage or otherwise dispose of its legal or beneficial interest in any equity or permit the creation of any other security interest thereon at any time from the date of signing of this Agreement other than any pledges created on Party C's equity interests according to the *Equity Interest Pledge Agreement*;
 - 2.3 Without the prior written consent of Party A, Party B shall not vote for or support or sign any resolution at a shareholders' meeting of Party C to approve the sale, transfer, mortgage or otherwise disposal of its legal or beneficial interest in any equity or to permit the creation of any other security interest thereon other than to Party A or its Designated Person(s);
 - 2.4 Party B and Party C agree that Party A may transfer all its rights and obligations under this Agreement to any third parties by giving a written notice to Party B and Party C without further permission from Party B or its shareholders.
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- 2.5 Without the prior written consent of Party A, Party B shall not vote for or support or sign any resolution at a shareholders' meeting of Party C to authorize Party C to merge or associate with any persons or to acquire or invest in any persons;
 - 2.6 They shall, in accordance with good financial and commercial standards and practices, maintain Party C's existence, operate and handle Party C's business and affairs in a prudent and effective manner and ensure that all business is carried on throughout the normal course of business to maintain the value of Party C's assets, and shall not have any acts/omissions sufficient to affect Party C's operating conditions and the value of its assets;
 - 2.7 Without the prior written consent of Party A, they shall not have any acts and/or omissions which may have any material impact on Party C's assets, operations and responsibilities; without the prior written consent of Party A, they shall not sell, assign, mortgage or otherwise dispose of its legal or beneficial interest in any of Party C's assets, business or income or permit the creation of any other security interest thereon at any time from the date of signing of this Agreement;
 - 2.8 Without the prior written consent of Party A, Party C shall not incur, inherit, secure or permit the existence of any debts other than (i) those arising in the normal or ordinary course of business rather than through borrowing; and (ii) those which have been disclosed to Party A and approved by Party A in writing;
 - 2.9 Without the prior written consent of Party A, Party C shall not enter into any major contracts other than those entered into in the normal course of business (for the purposes of this paragraph, if a contract is valued at more than USD0.3 million (USD300,000.00), it shall be deemed to be a major contract);
 - 2.10 Without the prior written consent of Party A, Party C shall not grant loans or credit to any persons other than other receivables or capital allocations arising in the normal course of business of Party C;
 - 2.11 Without the prior written consent of Party A, Party B shall not appoint or remove any directors, supervisors or other managers of Party C which should be appointed or removed by Party B.
 - 2.12 At Party A's request, they shall provide Party A with any information about Party C's operation and financial position;
 - 2.13 If requested by Party A, Party C shall purchase and hold insurance from an insurance company acceptable to Party A. The amount and type of insurance to be maintained shall be the same as the amount and type of insurance usually effected by companies which carry on and own any business and property or assets similar to those of Party C in the same area;
 - 2.14 Party A shall be notified immediately of any action, arbitration or administrative proceedings which will or may occur in relation to the ownership of Party B's equity interests and Party C's assets, business and income;
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- 2.15 In order to maintain Party B's ownership of the equity interests, they shall sign all necessary or appropriate documents, take all necessary or appropriate actions and make all necessary or appropriate claims or make all necessary and appropriate defences against all claims;
- 2.16 In order to maintain Party C's ownership of all its assets, they shall sign all necessary or appropriate documents, take all necessary or appropriate actions and make all necessary or appropriate claims or make all necessary and appropriate defences against all claims;
- 2.17 Without the prior written consent of Party A, Party C shall not pay dividends in any form to its shareholders, provided that Party C shall immediately distribute its distributable profits to its shareholders in whole or in part upon Party A's written request.
- 2.18 They shall cause their shareholders' meeting to vote in favor of the transfer of the Purchased Equity interests as stipulated in this Agreement;
- 2.19 At Party A's request, they shall appoint any persons nominated by Party A as directors and senior managers of Party C;
- 2.20 Party B shall exercise all its rights as a shareholder of Party C only with the written authorization of Party A and at the request of Party A;
- 2.21 They shall strictly comply with this Agreement and other contracts signed by Party B, Party C and Party A jointly or individually and earnestly perform their obligations under such contracts, and shall not have any acts/omissions sufficient to affect the validity and enforceability of such contracts;
- 2.22 Party B undertakes that it shall not make or authorize others (including but not limited to any directors of the company nominated by Party B) to make in any way any resolutions, instructions, agreements or orders to procure party C to engage in any transactions (hereinafter referred to as "Prohibited Transactions") that will or may materially affect the assets, rights, obligations or business of Party C (including its branches, subsidiaries and affiliates), and that it shall not enter into any agreements, contracts, memorandums or other forms of transaction documents (hereinafter referred to as "Prohibited Documents") in respect of such Prohibited Transactions, nor shall it have any omissions to allow the conduct of any Prohibited Transactions or the signing of any Prohibited Documents;
- 2.23 Within the term of this Agreement, Party B shall use its best efforts to develop Party C's business and guarantee the operation of Party C in conformity with the laws and regulations, and Party B shall not have any acts or omissions which may damage the assets and goodwill of Party C (including its subsidiaries) or affect the validity of Party C's business license.

3 Representations and Warranties of Party B and Party C

Party B and Party C, on the date of signing of this Agreement and on each date of transfer, hereby represents and warrants to Party A as follows:

- 3.1 they shall have the power to execute and deliver this Agreement and any equity interest transfer contract or asset transfer contract (each referred to as "Transfer Contract") to which they are a party or which is entered into by them according to this Agreement in respect of each transfer of the purchased equity interests or assets and to perform their obligations under this Agreement and any Transfer Contract. Once signed, this Agreement and each Transfer Contract to which they are a party shall constitute their legal, valid and binding obligations and may be enforced against them in accordance with the provisions hereof and thereof;
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- 3.2 Neither the execution and delivery of this Agreement or any Transfer Contract nor the performance of their obligations under this Agreement or any Transfer Contract shall (i) result in any violation of the relevant laws and regulations of the PRC; (ii) conflict with their articles of association or other constitutional documents; (iii) result in or constitute a breach of any contracts or instruments to which they are a party or which are binding upon them; (iv) result in any violation of any conditions for the grant and/or continued validity of any license or approval granted to them; or (v) cause any licence or approval granted to them to be suspended, revoked or attached with additional conditions;
- 3.3 Party C shall have good and marketable title to all its assets and has not created any security interest on such assets as mentioned above;
- 3.4 Party C has not had any outstanding debts other than (i) those arising in its normal course of business; and (ii) those which have been disclosed to Party A and approved by Party A in writing;
- 3.5 Party C shall comply with all laws and regulations of the PRC applicable to asset acquisition;
- 3.6 There are no ongoing, pending or threatened litigations, arbitrations or administrative proceedings which may occur in relation to Party B's equity interests, Party C's assets or the company;
- 3.7 Party B shall have good and marketable full title to the equity interests owned by it and has not created any security interest on such equity interests other than the security interests as stipulated in the Equity Interest Pledge Agreement.

4 Breach of Contract

- 4.1 If any breach by any party ("Breaching Party") of any provisions of this Agreement will cause damage to the other parties ("Non-Breaching Party"), the Non-Breaching Party may give a written notice to the Breaching Party, requiring the Breaching Party to remedy and correct its breach immediately; if the Breaching Party fails to take measures satisfactory to the Non-Breaching Party to remedy and correct its breach within fifteen (15) days from the date on which the Non-Breaching Party gives the above written notice, the Non-Breaching Party may immediately take any other relief measures in such manners as stipulated in this Agreement or by legal means.
 - 4.2 All of the following events shall constitute Party B's breach of this Agreement:
 - 4.2.1 Party B breaches any provisions of this Agreement, or any representations and warranties made by Party B in this Agreement are materially wrong, false and incorrect.
 - 4.2.2 Without the prior written consent of Party A, Party B assigns or otherwise transfers or pledges any of its rights under this Agreement;
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4.2.3 This Agreement and/or the *Equity Interest Pledge Agreement* become invalid or unenforceable.

- 4.3 In the event of Party B's breach of this Agreement or the *Equity Interest Pledge Agreement* and/or the *Exclusive Business Operation Agreement*, Party A may require Party B to immediately transfer all or any part of the Purchased Equity interests to Party A and/or Designated Person(s) at the Equity Interest Purchase Price.
- 4.4 Once Party A has realized its pledge in accordance with the provisions of Clause 11 of the *Equity Interest Pledge Agreement* and has obtained the relevant proceeds and payments from the realization of its pledge, Party B shall be deemed to have fully performed its obligations under this Agreement, and Party A shall not make any further payment request to Party B therefor.
- 4.5 Notwithstanding any other provisions of this Agreement, the validity of Clause 4 hereof shall not be affected by any termination of this Agreement.

5 Assignment

- 5.1 Party B shall not assign its rights and obligations under this Agreement to any third parties except with the prior written consent of Party A. In the event of Party B's death and loss of its capacity for civil conduct, Party B agrees that it shall immediately assign its rights and obligations under this Agreement to any persons designated by Party A for succession.
 - 5.2 This Agreement shall be binding upon Party B and its successors or heirs, and shall be valid for Party A and each of its successors, heirs or permitted assignees.
 - 5.3 Party B hereby agrees that Party A shall have the right to assign all its rights and obligations under this Agreement to any other third parties where necessary. Party A shall only give a written notice to Party B at the time of such transfer and shall not be required to obtain Party B's consent in respect of such transfer.
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6 Entry into Force and Term

- 6.1 This Agreement shall be established and enter into force from the date of signing hereof.
- 6.2 The term of this Agreement shall be ten (10) years unless terminated in advance in accordance with the provisions of this Agreement or the relevant agreement otherwise concluded by the Parties. The term of this Agreement may be extended after the written confirmation by Party A prior to the expiration of the term of this Agreement, and the extended term hereof shall be determined by Party A.
- 6.3 In the event of the expiration of the operation period (including any extensions of the operation period) of Party A or Party C or the termination of Party A or Party C for any other reasons within the term hereof set out in Clause 6.2 hereof, this Agreement shall be terminated upon the termination of such party unless Party A has assigned its rights and obligations under this Agreement.

7 Termination

- 7.1 If Party A is unable to exercise its rights in accordance with the provisions of Clause 1 hereof due to the current applicable law at any time within the term of and any extended term of this Agreement, Party A may decide at its own discretion to unconditionally cancel this Agreement by giving a written notice to Party B without any liability therefor.
- 7.2 If Party C is terminated due to bankruptcy, dissolution or being ordered to close by law within the term of and any extended term of this Agreement, Party B's obligations under this Agreement shall be discharged at the time of termination.
- 7.3 Except in the circumstances referred to in Clause 7.2 hereof, in no case shall Party B and Party C require the termination of this Agreement at any time within the term of and any extended term of this Agreement.

8 Taxes and Fees

Each party hereto shall bear any and all of the taxes and fees incurred by or levied on such Party due to the preparation and signing of this Agreement and each Transfer Contract and the completion of the transactions contemplated hereunder and thereunder under the laws of the PRC.

9 Confidentiality Obligations

- 9.1 The Parties acknowledge and determine that any oral or written information exchanged with one another in relation to this Agreement shall be confidential. The Parties shall keep all such information confidential and shall not disclose any relevant information to any third parties without the written consent of the other parties unless:
 - (a) such information has been known to or will be known to the public (without the disclosure thereof by the party receiving such information to the public without authorization);
 - (b) such information is required to be disclosed by the applicable law, or the rules or provisions of the stock exchange; or
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- (c) any Party needs to disclose such information to its legal or financial adviser who is also required to comply with confidentiality obligations similar to those set forth in this clause in respect of the transactions referred to in this Agreement. Any disclosure of such information by any personnel or employed agency of any Party shall be deemed to be a disclosure by such Party, and such Party shall be liable for its breach of this Agreement in accordance with this Agreement. This clause shall remain in force whether this Agreement is determined to have been invalid, altered, canceled, terminated or inoperable for any reason.

9.2 Upon termination of this Agreement, one party shall, at the request of the other party, return, destroy or otherwise dispose of all documents, materials or softwares containing any confidential information and cease the use of such confidential information.

9.3 Notwithstanding any other provisions of this Agreement, the validity of this Clause 9 shall not be affected by any termination of this Agreement.

10 Notices

Any notices or other communications given by any Party under this Agreement shall be in writing and shall be delivered by personal delivery, letter fax or email to the address of the other parties as set forth below or such other designated address as may be notified by the other parties to such party from time to time. The date on which any notices are deemed to have been actually delivered shall be determined as follows: (a) if delivered by personal delivery, they shall be deemed to have been actually delivered on the date of personal delivery; (b) if sent by letter, they shall be deemed to have been actually delivered on the seventh (7th) day after the date of posting (as indicated by the postmark) of the registered airmail with postage prepaid or on the fourth (4th) day after the delivery to an internationally recognized courier service agency; (c) if sent by fax, they shall be deemed to have been actually delivered at the time of receipt as shown in the acknowledgement of transmission of the relevant document; and (d) if sent by email, they shall be deemed to have been actually delivered when an email enters the electronic data interchange system of the email address provided by the party to be served.

Party A: Beijing Lianji Technology Co., Ltd.

Contact: Longming Wu

Correspondence Address: Room 003, Tower B, No. 1 Building, No. 38 Zhongguancun Street, Haidian District, Beijing

Party B: Hong Zhou

Address: *****

Longming Wu

Address: *****

Party C: Beijing Lianji Future Technology Co., Ltd.

Contact: Longming Wu

Address: No.2004, 2/F, No.11 Wanliu Middle Road, Haidian District, Beijing

11 Governing Law and Dispute Resolution

- 11.1 The conclusion, validity, performance, modification, interpretation and termination and dispute resolution of this Agreement shall be governed by the laws of the PRC.
- 11.2 Any disputes arising out of the performance of this Agreement or in relation to this Agreement shall be resolved by the Parties through friendly consultation.
- 11.3 If an agreement on the resolution of any disputes is not reached within 60 days after a request for the resolution of such disputes through consultation is made by one Party, any Party may submit such disputes to Hong Kong International Arbitration Centre for resolution through arbitration. The arbitration shall be conducted in accordance with the arbitration rules of Hong Kong International Arbitration Centre then in force, and the place of arbitration shall be Hong Kong. All proceedings for arbitration shall be conducted in Chinese. The arbitral award shall be final and binding on any Party hereto, and the Parties agree that they shall be bound by and comply with the arbitral award. When any disputes arising are being arbitrated, the Parties shall exercise and perform their other rights and obligations under this Agreement other than the matters in dispute.

12 Miscellaneous Provisions

- 12.1 Any headings in this Agreement are for the convenience of reading only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.
 - 12.2 The Parties acknowledge that once this Agreement enters into force, this Agreement shall constitute an entire agreement and understanding among the Parties hereto in respect of the contents of this Agreement, and shall completely supersede all prior oral and/or written agreements and understandings among the Parties in relation to the contents of this Agreement.
 - 12.3 This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, successors and permitted assignees.
 - 12.4 No rights, powers and remedies conferred on each party by any provisions of this Agreement shall preclude any other rights, powers or remedies enjoyed by such party in accordance with the law and other provisions of this Agreement, and no exercise by one party of its rights, powers and remedies shall preclude any exercise by such party of its other rights, powers and remedies.
 - 12.5 No failure by any party hereto in the exercise or prompt exercise of any rights, powers and remedies enjoyed by such party in accordance with this Agreement or the law shall be deemed to be a waiver of such rights or affect any future exercise by such party of such rights in other ways and any exercise by such party of its other rights.
 - 12.6 If any provisions of this Agreement are held to be null and void, invalid or unenforceable by any court with jurisdiction or arbitration agency, the validity and enforceability of any other provisions of this Agreement shall not be affected or impaired thereby, provided that the Parties hereto shall cease to perform such invalid and unenforceable provisions and shall, to the extent closest to their original intent, amend such provisions only to the extent that they are valid and enforceable in respect of such particular facts and circumstances.
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- 12.7 The Parties hereto agree and acknowledge that “the (prior) written consent of Party A” referred to herein shall mean that the matters shall be approved by the Board of Directors of Party A and be notified to Party B and Party C in accordance with the provisions of Clause 10 hereof.
- 12.8 Any matters not covered herein shall be determined through further consultation among the Parties hereto. The Parties shall amend and supplement this Agreement by a written agreement. Any amendment and supplementary agreements duly signed by the Parties shall form an integral part of this Agreement and shall have the same legal effect as this Agreement.
- 12.9 This Agreement is executed in three (3) copies, one (1) of which shall be held by each party respectively, and each of which shall be equally authentic.
- 12.10 Any annexes hereto shall form an integral part of this Agreement and shall have the same legal effect as this Agreement.

(The remainder of this page is intentionally left blank)

IN WITNESS WHEREOF, the Parties have personally executed or caused their respective legally authorized representative to execute this Agreement at such place and date as first written above.

Beijing Lianji Future Technology Co., Ltd. (Seal)

/s/Beijing Lianji Future Technology Co., Ltd.

IN WITNESS WHEREOF, the Parties have personally executed or caused their respective legally authorized representative to execute this Agreement at such place and date as first written above.

Hong Zhou

Signature

/s/Hong Zhou

IN WITNESS WHEREOF, the Parties have personally executed or caused their respective legally authorized representative to execute this Agreement at such place and date as first written above.

Longming Wu

Signature

/s/Longming Wu

IN WITNESS WHEREOF, the Parties have personally executed or caused their respective legally authorized representative to execute this Agreement at such place and date as first written above.

Beijing Lianji Technology Co., Ltd. (Seal)

/s/Beijing Lianji Technology Co., Ltd.

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement ("Agreement") is made in Beijing, the People's Republic of China ("PRC") as of May 17, 2019 by and among:

- (1) Beijing Lianji Future Technology Co., Ltd., having its registered office at No.2004, 2/F, No.11 Wanliu Middle Road, Haidian District, Beijing and with Longming Wu as its legal representative ("Pledgee");
- (2) Hong Zhou, having her domicile at *****, Shandong Province and holding its ID card No. *****,
Longming Wu, having his domicile at *****, Shandong Province (collectively, with Hong Zhou, the "Pledgors");
- (3) Beijing Lianji Technology Co., Ltd., having its registered office at Room 003, Tower B, No. 1 Building, No. 38 Zhongguancun Street, Haidian District, Beijing and with Longming Wu as its legal representative.

The parties hereto are hereinafter individually referred to as a "Party" or "Other Party" and collectively as the "Parties."

Whereas:

1. The Pledgee is a foreign-funded enterprise established in accordance with the laws of the PRC;
 2. Beijing Lianji Technology Co., Ltd. ("Company") is a limited liability company established in accordance with the laws of the PRC;
 3. Hong Zhou is a Chinese citizen and holds 0.1% of the equity interests of the Company and Longming Wu is a Chinese citizen and holds 99.0% of the equity interest of the Company as registered shareholders of Company;
 4. The Pledgee, the Pledgors and the Company signed the Option Agreement on May 17, 2019 ("Exclusive Option Agreement") whereby the Pledgors shall, to the extent permitted by the laws of the PRC, transfer all or part of its equity interests in the Company to the Pledgee and/or any other entities or individuals designated by the Pledgee at the Pledgee's request;
 5. Each of the Pledgors issued a power of attorney on May 17, 2019 (the "Power of Attorney") whereby each of the Pledgor irrevocably appoint the Pledgee as their attorney-in-fact to exercise all shareholders rights of the Company.
 6. The Pledgee, the Company and its shareholders signed the Exclusive Business Operation Agreement the Exclusive Option Agreement, and the Power of Attorney (the "Master Agreement") on May 17, 2019;
 7. In order to guarantee that the Pledgors and the Company perform their obligations under the Master Agreement, the Pledgors is willing to establish a pledge with all its equity interests in the Company as a performance guarantee of the Pledgors and the Company, and the Pledgors are willing to accept such pledge.
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NOW, THEREFORE, after friendly consultation, the Parties hereto hereby agree as follows:

1 Pledge and Scope of Guarantee

- 1.1 The Pledgors agree that it shall pledge aggregate 100.0% of the equity interests owned by it in the Company to the Pledgee in accordance with this Agreement as a guarantee for the Pledgors and the Company to perform all their obligations under the Master Agreement. The Company agrees that the Pledgors shall pledge the relevant equity interests to the Pledgee in accordance with this Agreement. The term “pledge” refers to the Pledgee’s priority right to be repaid with the proceeds from the sale, auction or disposal of the equity interests pledged by the Pledgors to the Pledgee.
- 1.2 The validity of the guarantee under this Agreement shall not be affected by any amendment or change of the Master Agreement, and the guarantee under this Agreement shall remain in force in respect of any obligations of the Pledgors and the Company under the amended Master Agreement. No invalidity, revocation or cancellation of the Master Agreement shall affect the validity of this Agreement. If any Master Agreement becomes invalid or is revoked or canceled for any reason, the Pledgee shall have the right to immediately realize its pledge in accordance with the provisions of Clause 11 hereof.

2 Pledged Equity Interests

- 2.1 The pledged equity interests under this Agreement shall be 100.0% of the equity interests held by the Pledgors in the Company (hereinafter referred to as “Pledged Equity Interests”) and all interests relating to the Pledged Equity Interests.
 - 2.2 Within the term of this Agreement, the Pledgee shall not be liable for any reduction in the value of the Pledged Equity Interests unless due to the Pledgee’s willfulness or gross negligence that has a direct causal relationship with the result, and the Pledgors shall have no right to make any form of recourse or claim against the Pledgee.
 - 2.3 Subject to the provisions of Clause 2.2 hereof above, if there is any possibility of a significant reduction in the value of the Pledged Equity Interests which is sufficient to endanger the rights of the Pledgee, the Pledgee may require at any time the Pledgors to auction or dispose of the Pledged Equity Interests and agree with the Pledgors that the proceeds from the auction or disposal thereof shall be used to pay off the secured debt in advance or be deposited with the notary public office in the place where the Pledgee is located (any expenses incurred therefrom shall be borne by the Pledgee).
 - 2.4 The Pledgee shall have the right to dispose of the Pledged Equity Interests in such manner as set out in Clause 11 hereof when any event of default occurs on the part of the Company or the Pledgors.
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- 2.5 With the prior consent of the Pledgee, the Pledgors may increase its capital contribution to the Company and transfer or accept any equity interests of the Company. Any equity interests formed from the increase by the Pledgors of its capital contribution to the Company shall also be the Pledged Equity Interests.
- 2.6 With the prior consent of the Pledgee, the Pledgors may receive dividends or bonuses in respect of the Pledged Equity Interests.

3 Establishment of Pledge

- 3.1 The Pledgors undertake that it shall be responsible for recording any equity interest pledge arrangements ("Equity Interest Pledge") under this Agreement in the register of shareholders of the Company on the date of signing of this Agreement.
- 3.2 The Parties further agree that the Equity Interest Pledge shall be recorded in the register of shareholders of the Company in the form as set out in Annex I hereto in accordance with the terms and conditions of this Agreement and that the register of shareholders containing the Equity Interest Pledge shall be delivered to the Pledgee for custody.
- 3.3 The Pledgors undertake that the establishment of the pledge shall be registered with the administrative department for industry and commerce in the place of registration of the Company, and the Company undertakes that it shall use its best efforts to cooperate with the Pledgor in completing the business registration of the Equity Interest Pledge as set out in this clause.

4 Term of Pledge

- 4.1 The Agreement shall be formed and effective as of the date on which it is signed and affixed with seal by the Parties, and shall be valid until the date of completion of the performance of all obligations under each Master Agreement ("Term of Pledge"). The pledge shall be registered by the competent administrative authority for industry and commerce in the place of registration of the Company.
- 4.2 If the Pledgors and the Company fail to perform or properly perform their obligations under the Master Agreement within the Term of Pledge, the Pledgee shall have the right to dispose of the pledge in accordance with the provisions of Clause 11 hereof.

5 Custody and Return of Pledge Certificate

- 5.1 Within three (3) business days from the date of the completion of recording the Equity Interest Pledge in the register of shareholders of the Company as set out in Clause 3 hereof above and the completion of registration of the pledge by the competent administrative authority for industry and commerce in the place of registration of the Company, the Pledgors shall deliver a certificate of registration of such Equity Interest Pledge to the Pledgee for custody; the Pledgee shall be obliged to keep any pledge documents received by it.
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- 5.2 If the Equity Interest Pledge is released in accordance with the provisions of this Agreement, the Pledgee shall return the certificate of registration of the pledge to the Pledgors within three (3) business days after the release, and shall provide any necessary assistance in the process of handling the procedures for the cancellation of registration of the pledge by the Pledgors.

6 Representations and Warranties of the Pledgors

The Pledgors hereby represent and warrant to the Pledgee that, as of the effective date of this Agreement,

- 6.1 The Pledgors shall be the legal holder of the Pledged Equity Interests subject to business registration;
- 6.2 The Pledgors have not created any other pledges or other encumbrances on the equity interests other than those created for the benefit of the Pledgee;
- 6.3 The Equity Interest Pledge under this Agreement shall constitute the primary security interest in the Pledged Equity Interests;
- 6.4 A resolution on the approval of the Equity Interest Pledge under this Agreement has been adopted at a meeting of shareholders of the Company;
- 6.5 Upon the entry into force of this Agreement, it shall constitute a legal, valid and legally binding obligation of the Pledgors;
- 6.6 The pledge of the Pledged Equity Interests by the Pledgors in accordance with this Agreement shall not violate the laws, regulations and relevant rules of other government departments nor breach any contracts and agreements between the Pledgors and any third parties (other than the Company) or any commitments issued to any third parties by the Pledgors;
- 6.7 All documents and materials in relation to this Agreement which are provided by the Pledgors to the Pledgee shall be authentic, accurate and complete;
- 6.8 The signing and performance by the Pledgors of this Agreement shall not violate or conflict with all laws applicable to it, any agreements to which it is a party or which are binding upon its assets, any court judgments, any arbitral awards of arbitration bodies and any decisions of administrative organs.

7 Representations and Warranties of the Company

The Company hereby represents and warrants to the Pledgee that, as of the effective date of this Agreement,

- 7.1 the Company is a limited liability company legally incorporated and validly existing under the laws of the PRC, being an independent legal person, and has the complete and independent legal status and legal capacity to sign, deliver and perform this Agreement and can act as a litigation subject independently.
- 7.2 All reports, documents and information provided by the Company to the Pledgee prior to the entry into force of this Agreement in respect of the Pledged Equity Interests and all matters required by this Agreement shall be true and correct in all material respects;
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- 7.3 All reports, documents and information provided by the Company to the Pledgee after the entry into force of this Agreement in respect of the Pledged Equity Interests and all matters required by this Agreement shall be true and correct in all material respects at the time of the provision thereof;
- 7.4 Once duly signed by the Company, this Agreement shall constitute a legal, valid and legally binding obligation of the Company;
- 7.5 The Company shall have the full powers and authority within the Company to sign and deliver this Agreement and all other documents to be signed by it relating to the transactions referred to herein, and shall have the full powers and authority to complete the transactions referred to herein.
- 7.6 To the Company's knowledge, there are no pending or threatened actions, legal proceedings or claims against the Company or its assets (including but not limited to the Pledged Equity Interests) in any court or arbitral tribunal, nor are there any pending or threatened actions, legal proceedings or claims against the Company or its assets (including but not limited to the Pledged Equity Interests) in any government agencies or administrative organs, in each case, which will have a material or adverse impact on the economic condition of the Company or on the ability of the Pledgors to perform its obligations and guarantee liability under this Agreement;
- 7.7 The Company agrees that it shall bear joint and several liability to the Pledgee in respect of the representations and warranties made by the Pledgors under Clauses 6.1, 6.2, 6.3, 6.4 and 6.6 hereof;
- 7.8 The Company hereby warrants to the Pledgee that the above representations and warranties shall be true and correct and shall be fully complied with in any case and at any time prior to the full performance of its obligations under this Agreement or the full discharge of the secured debt.

8 Undertakings of the Pledgors

- 8.1 The Pledgors, for the benefit of the Pledgee, hereby undertakes to the Pledgee that, during the duration of this Agreement, the Pledgors shall:
- (1) Complete the registration of the Equity Interest Pledge under this Agreement in the administrative department for industry and commerce in accordance with the provisions of this Agreement;
 - (2) Not transfer its equity interests or create or permit the existence of any new pledges or other security interests on the Pledged Equity Interests that may affect the rights and interests of the Pledgee without the prior written consent of the Pledgee;
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- (3) Comply with and implement all laws and regulations relating to the pledge of interests, and within five (5) days after receipt of any notices, orders or proposals issued or formulated by the relevant competent authority in respect of the pledge, produce to the Pledgee and comply with the above notices, orders or proposals or make objections and representations in respect of the above notices, orders or proposals at the reasonable request of the Pledgee or with the consent of the Pledgee;
 - (4) Promptly notify the Pledgee of any events or notices received by it which may have an impact on the Pledgors' rights to and in the equity interest or any part thereof; and promptly notify the Pledgee of any events or notices received by it which may change any warranties and obligations of the Pledgors as set out in this Agreement or which may have an impact on them.
- 8.2 The Pledgors undertake that any exercise by the Pledgee of its rights in accordance with the terms of this Agreement shall not be interrupted or hampered by the Pledgors or any of their successors or entrusted persons or any other persons through legal proceedings.
 - 8.3 The Pledgors undertake to the Pledgee that, in order to protect or perfect the guarantee for the obligations of the Pledgors and the Company under the Master Agreement as set out herein, the Pledgors shall sign in good faith and cause other parties who are interested in the pledge to sign all title certificates and deeds required by the Pledgee and/or perform and cause other parties who are interested in the pledge to perform all acts required by the Pledgee and facilitate the exercise of any rights and authority conferred on the Pledgee under this Agreement.
 - 8.4 The Pledgors undertake to the Pledgee that it shall sign all change documents (if applicable and necessary) relating to the equity interest certificate with the Pledgee or its designated persons (natural/legal persons) and that it shall provide the Pledgee with all such notices, orders and decisions on the pledge as the Pledgee considers necessary within a reasonable period of time.
 - 8.5 The Pledgors undertake to the Pledgee that, for the benefit of the Pledgee, it shall comply with and perform all its warranties, undertakings, agreements, representations and conditions. If the Pledgors fail to comply with, perform or fully perform its warranties, undertakings, agreements, representations and conditions, the Pledgors shall compensate the Pledgee for all reasonable losses suffered therefrom.
 - 8.6 The Pledgors shall not do or permit any acts or actions which may adversely affect the interests or Pledged Equity Interests of the Pledgee under any transaction agreement and this Agreement. The Pledgors shall waive its pre-emptive right at the time of realization of the pledge by the Pledgee.

9 Undertakings of the Company

The Company, for the benefit of the Pledgee, hereby undertakes to the Pledgee as follows:

- 9.1 If it is necessary to obtain any consents, permissions, waivers or authorizations from any third parties or any approvals, permissions or exemptions from or any registrations or filings with any government agencies in respect of the signing and performance of this Agreement and the Equity Interest Pledge under this Agreement, the Company shall use its best efforts to assist in obtaining and maintaining them in full force within the term of this Agreement;
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- 9.2 Without the prior written consent of the Pledgee, the Company shall not assist or permit the Pledgors to create any new pledges or any other security interests on the Pledged Equity Interests;
- 9.3 Without the prior written consent of the Pledgee, the Company shall not assist or permit the Pledgors to transfer the Pledged Equity Interests;
- 9.4 In the event of any legal action, arbitration or other claims which may adversely affect the Company, Pledged Equity Interests or the interests of the Pledgee under any transaction agreement and this Agreement, the Company warrants that it shall promptly notify the Pledgee in writing as soon as possible and shall, at the reasonable request of the Pledgee, take all necessary measures to ensure the pledge rights and interests of the Pledgee in the Pledged Equity Interests;
- 9.5 The Company shall, during the first month of each calendar quarter, provide the Pledgee with its financial statements for the previous calendar quarter, including (but not limited to) its balance sheet, income statement and cash flow statement;
- 9.6 The Company warrants that it shall, at the reasonable request of the Pledgee, take all necessary measures and sign all necessary documents (including but not limited to any supplementary agreements to this Agreement) to ensure the pledge rights and interests of the Pledgee in the Pledged Equity Interests and the exercise and realization of such rights;
- 9.7 In the event of any transfer of the Pledged Equity Interests arising from the exercise of the pledge under this Agreement, the Company warrants that it shall take all measures to realize such transfer.
- 9.8 In the event of any legal action, arbitration or other claims which may adversely affect the Company, Pledged Equity Interests or the interests of the Pledgee under any transaction agreement and this Agreement, the Company warrants that it shall promptly notify the Pledgee in writing as soon as possible and shall, at the reasonable request of the Pledgee, take all necessary measures to ensure the pledge rights and interests of the Pledgee in the Pledged Equity Interests.

10 Events of Default and Liability for Breach of Contract

- 10.1 Any of the following events shall be deemed to be an event of default:
 - (1) The Pledgors or the Company fails to perform its obligations under the Master Agreement;
 - (2) Any representations, warranties or undertakings made by the Pledgors in Clauses 5 and 6 hereof are materially misleading or erroneous, or the Pledgors breach any other provisions of this Agreement;
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- (3) The Pledgors abandon the Pledged Equity Interests or transfers the Pledged Equity Interests without the written consent of the Pledgee;
 - (4) Any external borrowings, guarantees, indemnities, commitments or other liabilities of the Pledgors themselves (i) are required to be repaid or performed in advance for its breach of any agreement; or (ii) have matured but not repaid or performed on schedule, which renders the Pledgee to believe that the Pledgors' ability to perform its obligations under this Agreement has been affected;
 - (5) The Company is unable to repay general debts or other debts due.
 - (6) This Agreement becomes illegal or the Pledgors are unable to continue to perform its obligations under this Agreement for any reason other than force majeure;
 - (7) Any adverse changes in the property owned by the Pledgors render the Pledgee to believe that the Pledgors' ability to perform its obligations under this Agreement has been affected;
 - (8) Any heir or custodian of the Company only performs in part or refuses to perform its obligation for payment under the Master Agreement;
 - (9) Any acts or omissions of the Pledgors in breach of any other provisions of this Agreement cause any breach of this Agreement;
 - (10) Any applicable law determines that this Agreement is illegal or causes the Pledgors to be unable to continue to perform its obligations under this Agreement;
 - (11) Any approval, license or authorization from any government department which causes this Agreement to be enforceable, legal and valid is revoked, terminated, invalidated or substantially modified.
- 10.2 The Pledgors shall immediately notify the Pledgee in writing if it knows or finds that any of the events referred to in this Clause 10.1 or any event which may cause any of the above events has occurred.
- 10.3 Unless any of the events of default set out in Clause 10.1 hereof has been satisfactorily resolved to the satisfaction of the Pledgee, the Pledgee may give a written notice of breach of this Agreement to the Pledgors upon or at any time after the breach of this Agreement by the Pledgors, requiring the Pledgors to immediately pay the arrears and other amounts payable under the Master Agreement or to dispose of the pledge in accordance with Clause 11 hereof.
- 10.4 Notwithstanding any other provisions of this Agreement, the validity of this Clause 10 shall not be affected by any termination of this Agreement.

11 Exercise of Pledge

- 11.1 Without the written consent of the Pledgee, the Pledgors shall not transfer the Pledged Equity Interests until the full performance of its obligations under the Master Agreement.
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- 11.2 In case of any of the events of default as referred to in Clause 10 hereof, the Pledgee shall give a notice of breach of this Agreement to the Pledgors when exercising the pledge. The Pledgee may exercise the right to dispose of the pledge upon or at any time after giving such notice of breach of this Agreement under Clause 10.3 hereof.
- 11.3 The Pledgee shall have the right to sell or otherwise dispose of the Pledged Equity Interests under this Agreement in accordance with legal procedures. If the Pledgee decides to exercise its pledge, the Pledgors undertake that it shall transfer all its shareholder rights to the Pledgee. In addition, the Pledgee shall have the priority right to be repaid with the proceeds from the sale, auction or disposal of all or part of the equity interests under this Agreement in accordance with legal procedures.
- 11.4 When the Pledgee disposes of its pledge in accordance with this Agreement, the Pledgors shall not place obstacles and shall give any necessary assistance to enable the Pledgee to realize its pledge.

12 Assignment

- 12.1 Except with the prior written consent of the Pledgee, the Pledgors shall have no right to grant or assign its rights and obligations under this Agreement. In the event of the Pledgors' death, the Pledgors agree that its rights and obligations under this Agreement shall be immediately assigned to any persons designated by the Pledgee for succession.
 - 12.2 This Agreement shall be binding upon the Pledgors and their successors or heirs, and shall be valid for the Pledgee and each of their successors, heirs or permitted assignees.
 - 12.3 The Pledgee may, at any time and to the extent permitted by law, assign all or any of its rights and obligations under the Master Agreement to its designated persons (natural/legal persons), in which case any assignees shall enjoy and assume any rights and obligations of the Pledgee under this Agreement as if they were a party to this Agreement. When the Pledgee assigns its rights and obligations under the Master Agreement, a written notice shall only be given by the Pledgee to the Pledgors, and the Pledgors shall sign any agreements and/or documents in relation to the assignment at the request of the Pledgee. In addition, when the Pledgee intends to assign its rights and obligations under this Agreement, it shall notify the Pledgors in writing and obtain the written consent of the Pledgors.
 - 12.4 After the change of the Pledgee resulting from the above assignment, the parties to a new pledge shall enter into another equity interest pledge agreement, and such equity interest pledge agreement shall be substantially consistent with this Agreement.
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13 Entry into Force and termination

- 13.1 This Agreement shall be established and enter into force from the date of signing hereof.
- 13.2 Where conditions permit, the Parties shall use their best efforts to handle and facilitate the registration of the pledge under this Agreement in the administrative department for industry and commerce in the place of registration of the Company, provided that the Parties acknowledge that whether the pledge under this Agreement is registered shall not affect the entry into force and validity of this Agreement.
- 13.3 When the service charges under the Service Agreement have been repaid and the Pledgors no longer assumes any of its obligations under the Service Agreement, the Pledgee shall cancel or terminate this Agreement.
- 13.4 The release of the pledge shall be recorded in the register of shareholders of the Company accordingly, and the registration of the pledge shall be canceled by the administrative department for industry and commerce in the place of registration of the Company in accordance with the law.

14 Handling Charges and Other Expenses

- 14.1 All costs and actual expenses in relation to this Agreement, including but not limited to any taxes, legal costs, costs of production and any other expenses, shall be borne by the Pledgors. If the law requires the Pledgee to pay the relevant taxes, the Pledgors shall make full compensation for the taxes paid by the Pledgee.
- 14.2 If the Pledgors fail to pay any taxes or expenses payable by it in accordance with this Agreement or otherwise causes the Pledgee to recover them in any way, the Pledgors shall bear all reasonable expenses incurred therefrom.

15 Force majeure

- 15.1 Force majeure means any events beyond the reasonable control of a party which can not be avoided by the affected party with reasonable care, including but not limited to acts of government, natural forces, fires, explosions, windstorms, floods, earthquakes, tides, lightnings or wars, provided that any lack of credit, capital or financing shall not be deemed to be an event beyond the reasonable control of a party. The party affected by any force majeure shall notify the Other Party of the exemption from liability as soon as possible.
 - 15.2 When the performance of this Agreement is delayed or obstructed by any force majeure as defined above, the party affected by such force majeure shall not assume any liability under this Agreement to the extent that its performance is delayed or obstructed. The affected party shall take appropriate measures to reduce or eliminate the effects of such force majeure and shall endeavour to resume the performance of its obligations delayed or obstructed by such force majeure. Once such force majeure is eliminated, the Parties agree that they shall make their best efforts to resume the performance of their obligations under this Agreement.
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16 Confidentiality Obligations

- 16.1 The Parties acknowledge and determine that any oral or written information exchanged with one another in relation to this Agreement shall be confidential. The Parties shall keep all such information confidential and shall not disclose any relevant information to any third parties without the written consent of the other parties unless:
- (a) Such information has been known to or will be known to the public (without the disclosure thereof by the party receiving such information to the public without authorization);
 - (b) Such information is required to be disclosed by the applicable law, or the rules or provisions of the stock exchange; or
 - (c) Any Party needs to disclose such information to its legal or financial adviser who is also required to comply with confidentiality obligations similar to those set forth in this clause in respect of the transactions referred to in this Agreement. Any disclosure of such information by any personnel or employed agency of any Party shall be deemed to be a disclosure by such Party, and such Party shall be liable for its breach of this Agreement in accordance with this Agreement. This clause shall remain in force whether this Agreement is determined to have been invalid, altered, canceled, terminated or inoperable for any reason.
- 16.2 Upon termination of this Agreement, one Party shall, at the request of the Other Party, return, destroy or otherwise dispose of all documents, materials or softwares containing any confidential information and cease the use of such confidential information.
- 16.3 Notwithstanding any other provisions of this Agreement, the validity of this Clause 16 shall not be affected by any suspension or termination of this Agreement.

17 Governing Law and Dispute Resolution

- 17.1 The conclusion, validity, performance, modification, interpretation and termination and dispute resolution of this Agreement shall be governed by the laws of the PRC.
- 17.2 Any disputes arising out of the performance of this Agreement or in relation to this Agreement shall be resolved by the Parties through friendly consultation.
- 17.3 If an agreement on the resolution of any disputes is not reached within thirty (30) days after a request for the resolution of such disputes through consultation is made by one Party, any Party may submit such disputes to Hong Kong International Arbitration Centre for resolution through arbitration. The arbitration shall be conducted in accordance with the arbitration rules of Hong Kong International Arbitration Centre then in force, and the place of arbitration shall be Hong Kong. All proceedings for arbitration shall be conducted in Chinese. The arbitral award shall be final and binding on any Party hereto, and the Parties agree that they shall be bound by and comply with the arbitral award. When any disputes arising are being arbitrated, the Parties shall exercise and perform their other rights and obligations under this Agreement other than the matters in dispute.
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18 Notices

Any notices or other communications given by any Party under this Agreement shall be in writing and shall be delivered by personal delivery, letter, fax or email to the address of the other parties as set forth below or such other designated address as may be notified by the other parties to such party from time to time. The date on which any notices are deemed to have been actually delivered shall be determined as follows: (a) if delivered by personal delivery, they shall be deemed to have been actually delivered on the date of personal delivery; (b) if sent by letter, they shall be deemed to have been actually delivered on the seventh (7th) day after the date of posting (as indicated by the postmark) of the registered airmail with postage prepaid or on the fourth (4th) day after the delivery to an internationally recognized courier service agency; (c) if sent by fax, they shall be deemed to have been actually delivered at the time of receipt as shown in the acknowledgement of transmission of the relevant document; and (d) if sent by email, they shall be deemed to have been actually delivered when an email enters the electronic data interchange system of the email address provided by the party to be served.

Pledgee: Beijing Lianji Technology Co., Ltd.

Contact: Longming Wu

Address: Room 003, Tower B, No. 1 Building, No. 38 Zhongguancun Street,

Haidian District, Beijing

Pledgors: Hong Zhou

Address: *****

Longming Wu

Address: *****

The Company: Beijing Lianji Future Technology Co., Ltd.

Contact: Longming Wu

Address: No.2004, 2/F, No.11 Wanliu Middle Road, Haidian District, Beijing

19 Miscellaneous Provisions

- 19.1 Any headings in this Agreement are for the convenience of reading only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.
 - 19.2 The Parties acknowledge that once this Agreement enters into force, this Agreement shall constitute an entire agreement and understanding among the Parties hereto in respect of the contents of this Agreement, and shall completely supersede all prior oral and/or written agreements and understandings among the Parties in relation to the contents of this Agreement.
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- 19.3 This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, successors and permitted assignees.
- 19.4 No rights, powers and remedies conferred on each party by any provisions of this Agreement shall preclude any other rights, powers or remedies enjoyed by such party in accordance with the law and other provisions of this Agreement, and no exercise by one party of its rights, powers and remedies shall preclude any exercise by such party of its other rights, powers and remedies.
- 19.5 No failure by any party hereto in the exercise or prompt exercise of any rights, powers and remedies ("Such Party's Rights") enjoyed by such party in accordance with this Agreement or the law shall be deemed to be a waiver of such rights or affect any future exercise by such party of such rights in other ways and any exercise by such party of its other rights.
- 19.6 If any provisions of this Agreement are held to be null and void, invalid or unenforceable by any court with jurisdiction or arbitration agency, the validity and enforceability of any other provisions of this Agreement shall not be affected or impaired thereby, provided that the Parties hereto shall cease to perform such invalid and unenforceable provisions and shall, to the extent closest to their original intent, amend such provisions only to the extent that they are valid and enforceable in respect of such particular facts and circumstances.
- 19.7 The Parties hereto agree and acknowledge that "the (prior) written consent of the Pledgee" referred to herein shall mean that the matters shall be approved by the Board of Directors of the Pledgee and be notified to Party B and Party C in accordance with the provisions of Clause 18 hereof.
- 19.8 Any matters not covered herein shall be determined through further consultation among the Parties hereto. The Parties shall amend and supplement this Agreement by a written agreement. Any amendment and supplementary agreements duly signed by the Parties shall form an integral part of this Agreement and shall have the same legal effect as this Agreement.
- 19.9 This Agreement is executed in five (5) copies, one (1) of which shall be held by each party respectively, and the rest of which shall be submitted to the equity interest pledge registration authority to handle the equity interest pledge registration procedures, and each of which shall be equally authentic.
- 19.10 Any annexes hereto shall form an integral part of this Agreement and shall have the same legal effect as this Agreement.

(The remainder of this page is intentionally left blank)

(This page is intentionally left blank as the signature page of the *Equity Interest Pledge Agreement* among Beijing Lianji Technology Co., Ltd., Hong Zhou, Longming Wu and Beijing Lianji Future Technology Co., Ltd.)

IN WITNESS WHEREOF, the Parties have personally executed or caused their respective legally authorized representative to execute this Agreement at such place and date as first written above.

Beijing Lianji Technology Co., Ltd. (Seal)

/s/Beijing Lianji Technology Co., Ltd.

(This page is intentionally left blank as the signature page of the *Equity Interest Pledge Agreement* among Beijing Lianji Technology Co., Ltd., Hong Zhou, Longming Wu and Beijing Lianji Future Technology Co., Ltd.)

IN WITNESS WHEREOF, the Parties have personally executed or caused their respective legally authorized representative to execute this Agreement at such place and date as first written above.

Hong Zhou

Signature

/s/Hong Zhou

(This page is intentionally left blank as the signature page of the *Equity Interest Pledge Agreement* among Beijing Lianji Technology Co., Ltd., Hong Zhou, Longming Wu and Beijing Lianji Future Technology Co., Ltd.)

IN WITNESS WHEREOF, the Parties have personally executed or caused their respective legally authorized representative to execute this Agreement at such place and date as first written above.

Longming Wu

Signature

/s/Longming Wu

(This page is intentionally left blank as the signature page of the *Equity Interest Pledge Agreement* among Beijing Lianji Technology Co., Ltd., Hong Zhou, Longming Wu and Beijing Lianji Future Technology Co., Ltd.)

IN WITNESS WHEREOF, the Parties have personally executed or caused their respective legally authorized representative to execute this Agreement at such place and date as first written above.

Beijing Lianji Future Technology Co., Ltd. (Seal)

/s/Beijing Lianji Future Technology Co., Ltd.

Power of Attorney

I, Longming Wu ("Authorizer"), a citizen of the People's Republic of China ("PRC") holding the ID card No. *****, hold 99.0% of the equity interests of Beijing Lianji Technology Co., Ltd. ("Lianji Technology") as a shareholder of Lianji Technology. I hereby authorize Beijing Lianji Future Technology Co., Ltd. ("Lianji Future") or any person(s) designated by Lianji Future (collectively with Lianji Future, the "Authorized Person(s)") to exercise the following rights during the period of validity of this Power of Attorney:

I authorize the Authorized Person(s) to act as my sole agent to exercise on my behalf all shareholder rights to which I am entitled under the laws of the PRC and the Articles of Association of Lianji Technology (including the current and future amendments thereto from time to time), including but not limited to the rights to propose the convening of shareholders' meetings, to receive any notices on the holding and rules of procedure of shareholders' meetings, to attend and exercise voting rights at shareholders' meetings of Lianji Technology (including but not limited to nominating, electing or appointing directors, general managers, chief financial officers and other senior managers of Lianji Technology and deciding on dividends and other matters) and to decide to sell or transfer all or part of my equity interests in Lianji Technology.

The period of validity of this Power of Attorney is the same as the term of the Exclusive Business Operation Agreement signed by and among Lianji Future, Lianji Technology and other parties on May 17, 2019. If the above the Exclusive Business Operation Agreement is terminated in advance or extended in accordance with the Agreement, this Power of Attorney and the Exclusive Business Operation Agreement shall be simultaneously terminated or extended, and this Power of Attorney shall be extended for the same period as the Exclusive Business Operation Agreement. This Power of Attorney shall not be modified or terminated during the period of validity hereof without the written consent of Lianji Future.

Authorized by: Longming Wu

/s/ Longming Wu (Signature)

May 17, 2019

Power of Attorney

I, Hong Zhou ("Authorizer"), a citizen of the People's Republic of China ("PRC") holding the ID card No. *****, hold 1.0% of the equity interests of Beijing Lianji Technology Co., Ltd. ("Lianji Technology") as a shareholder of Lianji Technology. I hereby authorize Beijing Lianji Future Technology Co., Ltd. ("Lianji Future") or any person(s) designated by Lianji Future (collectively with Lianji Future, the "Authorized Person(s)") to exercise the following rights during the period of validity of this Power of Attorney:

I authorize the Authorized Person(s) to act as my sole agent to exercise on my behalf all shareholder rights to which I am entitled under the laws of the PRC and the Articles of Association of Lianji Technology (including the current and future amendments thereto from time to time), including but not limited to the rights to propose the convening of shareholders' meetings, to receive any notices on the holding and rules of procedure of shareholders' meetings, to attend and exercise voting rights at shareholders' meetings of Lianji Technology (including but not limited to nominating, electing or appointing directors, general managers, chief financial officers and other senior managers of Lianji Technology and deciding on dividends and other matters) and to decide to sell or transfer all or part of my equity interests in Lianji Technology.

The period of validity of this Power of Attorney is the same as the term of the Exclusive Business Operation Agreement signed by and among Lianji Future, Lianji Technology and other parties on May 17, 2019. If the above the Exclusive Business Operation Agreement is terminated in advance or extended in accordance with the Agreement, this Power of Attorney and the Exclusive Business Operation Agreement shall be simultaneously terminated or extended, and this Power of Attorney shall be extended for the same period as the Exclusive Business Operation Agreement. This Power of Attorney shall not be modified or terminated during the period of validity hereof without the written consent of Lianji Future.

Authorized by: Hong Zhou

/s/ Hong Zhou

(Signature)

May 17, 2019

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (the “**Agreement**”) is made and entered into as of May 21, 2019 by and among

- (1) JMU Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands (the “**Purchaser**”);
- (2) Haohan Xu, an U.S. citizen with the passport No. ***** (the “**Seller**”); and
- (3) Unicorn Investment Limited, a company with limited liability incorporated under the laws of the British Virgin Islands (the “**Company**”).

Each of the Purchaser, the Seller and the Company are referred to as a “**Party**” and collectively as “**Parties**.”

WHEREAS, the Seller desires to sell, and Purchaser desires to purchase, all of the issued and outstanding shares of the Company, for the consideration and on the terms and conditions set forth in this Agreement; and

WHEREAS, as consideration for the purchase of the Company’s shares, the Purchaser desires to issue certain ordinary shares of the Purchaser, pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises made in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS

The following terms used in this Agreement shall be construed to have the meaning set forth or referenced below.

“Affiliates”	means, with respect to any specified Person, any other Person who or which, directly or indirectly, Controls, is Controlled by, or is under common Control with such specified Person, including, without limitation, any officer, director, employee, member, partner or shareholder of such Person and any venture capital fund now or hereafter existing that is Controlled by or under common Control with one or more general partners or managing members of, or shares the same management company with, such Person;
“Agreement”	means this Share Purchase Agreement;
“Balance Sheet Date”	means March 31, 2019;
“Board”	means the board of directors of the Purchaser;

“Charter Documents”	mean, as to a Person, such Person’s memorandum and articles of association, certificate or articles of incorporation, by-laws, partnership agreement, joint venture agreements, formation agreement, limited liability company agreement and other organizational documents;
“Closing”	has the meaning given to it in <u>Section 2.3(a)</u> ;
“Company”	has the meaning given to it in the preamble of this Agreement;
“Company Intellectual Property”	means all patents, patent applications, trademarks, trademark applications, service marks, tradenames, copyrights, trade secrets, licenses, domain names, software, information and proprietary rights and processes as are necessary to the conduct of Company’s business as now conducted in all material respects;
“Confidential Information”	has the meaning given to it in <u>Section 10.1</u> ;
“Control”	means the possession, directly or indirectly, of the power to direct or cause the direction of the management of a Person, whether through the ownership of voting securities, by contract, credit arrangement or proxy, as trustee, executor, agent or otherwise. For the purpose of this definition, a Person shall be deemed to Control another Person if such first Person, directly or indirectly, owns or holds more than fifty percent (50%) of the voting power in such other Person. The tem “Controlled” has the meaning correlative to the foregoing;
“Disclosing Party”	has the meaning given to it in <u>Section 10.4</u> ;
“Exchange Act”	means the United States Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;
“Financial Statement”	has the meaning given to it in <u>Section 3.7</u> ;
“Governmental Authority”	means (a) any nation or government or any nation, federal, state, province, municipality, local, autonomous region or any other political subdivision thereof; (b) any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any government authority, agency, department, board, commission or instrumentality or any political subdivision thereof, including any entity or enterprise owned or controlled by a government or a public international organization; or (c) any court, tribunal or arbitrator;
“Group”	means, collectively, the Company, the Subsidiary, the WFOE Sub and VIE Sub set forth in <u>SCHEDULE C</u> ;

“Group Company”	means any member of the Group, individually, the “Group Companies” means two or more members of the Group, collectively;
“Group Material Adverse Effect”	means a material adverse effect on the business, assets (including intangible assets), liability, financial condition, property, prospects or results of operations of the Group, taken as a whole;
“HKIAC”	has the meaning given to it in <u>Section 11.9</u> ;
“Indemnified Person”	has the meaning given to it in <u>Section 9.2</u> ;
“Indemnifying Person”	has the meaning given to it in <u>Section 9.2</u> ;
“Key Employee”	means any executive-level employee (including division director and vice president-level positions);
“Knowledge”	means (i) with respect to the Seller, actual knowledge of executive-level employees of the Group; or (ii) with respect to the Company, actual knowledge of executive-level employees of the Company;
“Law”	means any statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law), official policy, rule or interpretation of any Governmental Authority with jurisdiction over the Group Companies, as the case may be;
“Lien”	means any mortgage, pledge, deed of trust, hypothecation, right of others, claim, security interest, encumbrance, burden, title defect, title retention agreement, lease, sublease, license, occupancy agreement, easement, covenant, condition, encroachment, voting trust agreement, charge, option, right of first offer, negotiation or refusal, proxy, lien, charge, adverse claim or other restrictions (including restrictions on transfer), or limitations of any nature whatsoever, including such liens as may arise under any contract;
“Long-Stop Date”	has the meaning given to it in <u>Section 8.1(c)</u> ;
“Party”	has the meaning given to it in the preamble of this Agreement;
“Person”	means any individual, corporation, partnership, trust, limited liability company, company limited by shares, unincorporated association or other entity;
“PRC”	means the People’s Republic of China, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu;

“PRC Laws”	means any treaty, statute, act, law, rule, regulation and regulatory documents publicly announced by the PRC governments (including the central, provincial, municipal and local governments), and the amendments, additions, and interpretations made at any time with respect to these laws;
“Public Official”	has the meaning given to it in <u>Section 3.12(a)</u> ;
“Purchaser”	has the meaning given to it in the preamble of this Agreement;
“Purchaser’s Advisors”	has the meaning given to it in <u>Section 5.1</u> ;
“Purchaser’s Group”	means, collectively, the Purchaser and its Subsidiaries;
“Purchaser’s Group Company”	means any member of the Purchaser’s Group, individually, and “Purchaser’s Group Companies” means two or more members of the Purchaser’s Group;
“Purchaser’s Intellectual Property”	means all patents, patent applications, trademarks, trademark applications, service marks, tradenames, copyrights, trade secrets, licenses, domain names, software, mask works, information and proprietary rights and processes as are necessary to the conduct of Purchaser’s business as now conducted in all material respects;
“Purchaser’s Material Adverse Effect”	means a material adverse effect on the business, assets (including intangible assets), liabilities, financial condition, property, prospects or results of operations of the Purchaser’s Group, taken as a whole;
“Registration Rights Agreement”	means the registration rights agreement, substantially in the form of <u>EXHIBIT A</u> attached to this Agreement;
“SEC”	has the meaning given to it in <u>Section 4.7(a)</u> ;
“SEC Documents”	has the meaning given to it in <u>Section 4.7(a)</u> ;
“Securities Act”	means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
“Seller”	has the meaning given to it in the preamble of this Agreement;
“Share Consideration”	has the meaning given to it in <u>Section 2.2</u> ;
“Shares”	means all of the issued and outstanding ordinary shares of the Company, par value US\$0.00001 per share;
“Subsidiary”	of any Person means any other Person of which at least fifty percent (50%) of the outstanding voting securities or other voting equity interests are owned, directly or indirectly, by such first Person and, for the avoidance of doubt, shall include any variable interest entity over which such Person or any of its Subsidiaries effects Control pursuant to contractual arrangements and which is consolidated with such Person in accordance with generally accepted accounting principles applicable to such Person;

“Tax” or “Taxes”	means any and all national, federal, state, provincial, municipal and local taxes of any country, assessments and other governmental charges, duties, impositions and liabilities, including taxes based upon or measured by gross receipts, income, profits, capital gains, sales, use and occupation, and value added, ad valorem, stamp transfer, franchise, building, vehicle, land use, land appreciation, city and rural construction, tariff, withholding, payroll, recapture, employment, additional education, excise and property taxes, adjustment taxes, together with all interest, penalties and additions imposed with respect to such amounts and any obligations under any agreements or arrangements with any other Person with respect to such amounts and including any liability for taxes of a predecessor entity;
“Tax Return”	means any return, report declaration, filing form, claim for refund or information return or statement relating to Tax, including any schedule or attachment thereto and any amendment thereof. “Third-Party Claim” means any claim against any Indemnified Person by a third party;
“Transaction Documents”	means this Agreement, Registration Rights Agreement and all other agreements, instruments or documents entered into in connection with this Agreement;
“Transactions”	means the transactions contemplated by the Transaction Documents;
“US GAAP”	means the generally accepted accounting principles in the United States;
“VIE Agreements”	means the contracts and other documents entered into by and among the wFOE Sub, the VIE Sub and the shareholders of VIE Sub. The list of the VIE Agreements is set forth in <u>SCHEDULE B</u> hereto.
“VIE Sub”	means 北京链基科技有限公司, a PRC limited liability company;
“WFOE Sub”	means 北京链基未来科技有限公司, a wholly-foreign owned enterprise registered in the PRC;

2. PURCHASE AND SALES OF SHARES

2.1 Shares.

Subject to the terms and conditions of this Agreement, and in reliance upon the representations, warranties, and covenants in this Agreement, at the Closing, the Purchaser shall purchase the Shares from the Seller, and the Seller shall sell and transfer the number Shares to be sold by him at the Closing, which represent 100% of the issued and outstanding shares of the Company.

2.2 Consideration.

The total consideration to be paid by the Purchaser for the Shares shall be 632,660,858 newly issued ordinary shares of the Purchaser (the “**Share Consideration**”), representing approximately 30.0% of the all issued and outstanding ordinary shares of the Purchaser immediately after the Closing.

2.3 Closing.

- (a) The purchase and sale of the Shares shall take place remotely via the exchange of documents and signatures on May 21, 2019, or at such other time and place as the Purchaser and the Seller mutually agreed upon, orally or in writing (which time and place are designated as the “**Closing**”). The Closing will be deemed to be effective as of the close of business on the date of the Closing for tax and accounting purposes.
- (b) At the Closing, in addition to the fulfillment of all conditions set forth in Section 7 of this Agreement, the Purchaser shall deliver to the Seller a certified copy of the register of members of the Purchaser reflecting the Share Consideration acquired by the Seller at the Closing.
- (c) At the Closing, in addition to the fulfillment of all conditions set forth in Section 6 of this Agreement, the Seller shall deliver to the Purchaser a certified copy of the register of members of the Company after giving effect to the transfer of Shares of the Company to the Purchaser at the Closing.

3. REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller hereby represents and warrants to the Purchaser that the following representations are true and complete as of the date hereof and will be true and correct as of the date of the Closing, except as otherwise indicated.

3.1 Authorization.

The Seller that is a natural person represents and warrants that he is legally competent to enter into the Transaction Documents to which the Seller is a party. The Transaction Documents to which the Seller is a party, when executed and delivered by the Seller, will constitute valid and legally binding obligations of the Seller, enforceable in accordance with their terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and any other laws of general application affecting enforcement of creditors’ rights generally, and as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

3.2 Group Structure.

- (a) SCHEDULE C sets forth a true and sets forth a true and complete organization chart of the Group. The Company owns 100% of the equity and voting interests in the WFOE Sub. Except pursuant to the VIE Agreements, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights, except for such rights which may be held by the Company) or agreements, orally or in writing, for the purchase of any equity or other ownership interest of the Group Company. No Group Company has any obligations of any kind to make any investment in or provide funds (whether in the form of a loan, capital contribution or otherwise) to any other Person, except for VIE Sub’s obligations to contribute such unpaid registered capitals into the Group Subsidiaries as set forth in SCHEDULE C.

- (b) The VIE Sub has been duly organized and is validly existing under the PRC Laws. The VIE Sub has obtained all necessary approvals, authorizations, consents and orders, and has made all filings that are required under the PRC Laws, for the ownership of its equity interests by each of their respective shareholders. The Charter Documents of the VIE Sub and its business license comply with the requirements of all PRC Laws and are in full force and effect. Each shareholder of the VIE Sub that is a legal entity has been duly organized and is validly existing under the PRC Laws.

3.3 Corporate Power and Qualification.

- (a) The Company is a private company limited by shares duly organized, validly existing under the laws of the British Virgin Islands and has all requisite corporate power and authority to own, lease and operate its assets and carry on its business as presently conducted. The Company is duly qualified to transact business and is in good standing as a foreign company in each jurisdiction in which it owns or leases property or conducts any business so as to require such qualification, except for those jurisdictions where the failure to be so qualified and in good standing would not individually or in the aggregate have a Group Material Adverse Effect. None of the activities, agreements, commitments, obligations or rights of the Company is ultra vires, unauthorized or in violation of its Charter Documents or any applicable Laws. The Company has not given any powers of attorney in force, and there are no outstanding authorities, express or implied by which any Person may enter into any contract or commitment to do anything outside the ordinary course of business on its behalf.
- (b) The WFOE Sub is a wholly-foreign owned enterprise duly organized, validly existing and has all requisite corporate power and authority to own, lease and operate its assets and to carry on its business as presently conducted. The WFOE Sub is duly qualified to transact business and is in good standing as a foreign company in each jurisdiction in which it owns or leases property or conducts any business so as to require such qualification, except for those jurisdictions where the failure to be so qualified and in good standing would not individually or in aggregate have a Group Material Adverse Effect. None of the activities, agreements, commitments, obligations or rights of the WFOE Sub is ultra vires, unauthorized or in violation of its Charter Documents or any applicable Laws. The WFOE Sub has not given any powers of attorney in force, and there are no outstanding authorities, express or implied by which any Person may enter into any contract or commitment to do anything outside the ordinary course of business on its behalf.

- (c) Each VIE Agreement is valid, binding and enforceable, and will not result in any violation of any PRC Laws currently in effect. The Company has effective Control of the VIE Sub and is the sole beneficiary of the VIE Sub and the VIE Agreements are adequate to enable the financial statements of the VIE Sub to be consolidated with those of the other Group Companies in accordance with the applicable accounting standards.

3.4 Capitalization of the Company.

The Seller is the registered owner of all of the issued and outstanding ordinary shares of the Company, and all Shares are validly issued, fully paid and nonassessable. The Shares to be acquired by the Purchaser as of the Closing will be free and clear of all Liens. SCHEDULE A sets forth the issued and outstanding Shares of the Company immediately prior to the Closing.

There are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, to purchase or acquire from the Company any shares of the Company, or any securities convertible into or exchangeable for shares of the Company.

3.5 Compliance with Laws and Other Instruments.

Each Group Company is in compliance with all applicable Laws in all aspects, except for those noncompliance where the failure to do so would not individually or in the aggregate have a Group Material Adverse Effect.

None of the Group Companies is in violation of its Charter Documents, shareholders agreements, as appropriate, or equivalent constitutive documents as in effect.

3.6 Governmental Consents and Filing.

Assuming the accuracy of the representations made by the Purchaser in Section 4 of this Agreement, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any national, provincial, municipal, local, autonomous region and Governmental Authority is required on the part of any Group Company in connection with the consummation of the Transactions.

3.7 Financial Statements.

The Group has delivered to the Purchaser the unaudited consolidated financial statements of the Group Company, including the balance sheet as of the Balance Sheet Date, and the cash flow statement and the profit and loss statement in the years of 2017 and 2018 and for the three months ended March 31, 2019 (the “**Financial Statement**”). To the knowledge of the Seller, the Financial Statements fairly present the financial condition and the results of operations in all material aspects as at the date of and for the period referred to in such financial statements, all in accordance with US GAAP.

3.8 Enforceability.

The Transaction Documents, when executed and delivered by the Seller, shall constitute valid and legally binding obligations of him, enforceable against the Seller in accordance with their respective terms, except in each case as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and any other Laws of general application affecting enforcement of creditors' rights generally, and as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

3.9 No Insolvency.

- (a) No order has been made, or petition presented, or resolution passed for the winding-up of any Group Company.
- (b) No Group Company is insolvent.
- (c) There are no circumstances which would entitle any Person to successfully present a petition for the winding-up or administration of any Group Company or to appoint a receiver over the whole or any part of the undertaking or assets of any Group Company.

3.10 Absence of Certain Changes.

Since the Balance Sheet Date, there has not been:

- (a) any change in the assets, liabilities, financial condition or operating results of the Group from that reflected in the financial statements provided to the Purchaser, except changes in the ordinary course of business that have not caused, in the aggregate, a Group Material Adverse Effect;
- (b) any damage, destruction or loss, whether or not covered by insurance, that would have a Group Material Adverse Effect;
- (c) any mortgage, pledge, transfer of a security interest in, or Lien, created by a Group Company, with respect to any of its material properties or assets, except Liens that arise in the ordinary course of business and do not materially impair that Group Company's ownership or use of such property or assets;
- (d) any change to a contract or agreement by which any Group Company or any of its assets is bound or subject, except changes that have not caused, in the aggregate, a Group Material Adverse Effect;
- (e) any loans or guarantees made by a Group Company to or for the benefit of its officers, directors, employees, agent, representative, consultants or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;
- (f) any declaration, setting aside or payment or other distribution in respect of any of the Group Company's share capital, or any direct or indirect redemption, purchase, or other acquisition of any of such shares by a Group Company; or
- (g) any sale, assignment or transfer of any Company Intellectual Property that could reasonably be expected to result in a Group Material Adverse Effect.

3.11 Anti-Bribery, Anti-Corruption, Anti-Money Laundering and Sanctions.

- (a) To the knowledge of the Seller, no Group Company or any officer, director, employee, agent, representative, consultant or any other Person associated with or acting for or on behalf of any Group Company, has offered, paid, promised to pay, or authorized the payment of any money, or offered, given a promise to give, or authorized the giving of anything of value, to any officer or employee or other Person acting in an official capacity for or on behalf of any Governmental Authority (including any entity or enterprise owned or controlled by a government), to any political party or official thereof or to any candidate for political office (or to any Person where a Group Company, its officer, director, employee, agent, representative, consultant or any other Person associated with or acting for or on behalf of the Group Company knew or was aware of a high probability that all or a portion of such money or thing of value would be offered, given or promised, directly or indirectly, to any of the foregoing) (a “**Public Official**”) for the purposes of:
 - (i) (x) influencing any act or decision of such Public Official, (y) inducing such Public Official to do or omit to do any act in violation of the lawful duty of such Public Official, or (z) securing any improper advantage; or
 - (ii) inducing such Public Official to use his or its influence with any Government Authority to affect or influence any act or decision of such Government Authority, in order to assist any Group Company in obtaining or retaining business for or with, or directing business to any Group Company.
- (b) None of the officers, directors, employees, agents, representatives and consultants of, and none of the beneficial owners of any interest in, any Group Company is a Public Official.

3.12 No Litigation.

There is no material claim, action, suit, proceeding, arbitration, complaint, charge or investigation pending or, to the knowledge of the Seller, currently threatened against the Company. There is no material action, suit, proceeding or investigation by any Group Company pending or which any Group Company intends to initiate. There is no claim, action, suit, proceeding, arbitration, complaint, charge or investigation pending against the Seller that challenges, or could have the effect of preventing, delaying, making illegal, imposing limitations or conditions on, or otherwise interfering with, the Transactions.

4. REPRESENTATION AND WARRANTIES OF THE PURCHASER

The Purchaser hereby, represents and warrants to the Seller that the following representations are true and complete as of the date hereof and will be true and correct as of the date of the Closing, except as otherwise indicated.

4.1 Capitalization of the Purchaser.

The Share Consideration will have been validly issued, fully paid and nonassessable as of the Closing. Upon the Closing, the Seller will acquire title to the Share Consideration, free and clear of all Lien.

Except as set forth in SCHEDULE D of this Agreement, which correctly and accurately reflects (i) the aggregate number of issued and outstanding ordinary shares of the Purchaser as of the date of the Closing, and (ii) the aggregate number of ordinary shares issuable under all outstanding options, all outstanding warrants and all other outstanding securities or obligations which, by their terms, whether directly or indirectly, may be exercisable or exchangeable for, convertible into, or require the Purchaser to issue, ordinary shares of the Purchaser, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, to purchase or acquire from the Purchaser any shares of the Purchaser, or any securities convertible into or exchangeable for shares of the Purchaser.

4.2 Authorization.

The Purchaser has full power and authority to enter into the Transaction Documents. The Transaction Documents to which the Purchaser is a party, when executed and delivered by the Purchaser, will constitute valid and legally binding obligations of the Purchaser, enforceable in accordance with their terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and any other Laws of general application affecting enforcement of creditors' rights generally, and as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

4.3 Compliance with Laws and Other Instruments.

Each Purchaser's Group Company is in compliance with all applicable Laws in all aspects, except for those noncompliance where the failure to do so would not individually or in the aggregate have a Purchaser's Material Adverse Effect.

Except as otherwise disclosed in the SEC Documents, none of the Purchaser's Group Companies is in violation of its Charter Documents, shareholders agreements, as appropriate, or equivalent constitutive documents as in effect.

4.3 Governmental Consents and Filings.

Assuming the accuracy of the representations made by the Seller in Section 3 of this Agreement, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any national, provincial, municipal, local, autonomous region and Governmental Authority is required on the part of the Purchaser in connection with the consummation of the Transactions.

4.4 No Litigation.

Except as otherwise disclosed in the SEC Documents, (1) there is no material claim, action, suit, proceeding, arbitration, complaint, charge or investigation pending or, to the knowledge of the Purchaser, currently threatened against any Purchaser's Group Company, and (2) there is no material action, suit, proceeding or investigation by any Purchaser's Group Company pending or which any Purchaser's Group Company intends to initiate. There is no claim, action, suit, proceeding, arbitration, complaint, charge or investigation pending against the any Purchaser's Group Company that challenges, or could have the effect of preventing, delaying, making illegal, imposing limitations or conditions on, or otherwise interfering with, the Transactions.

4.5 Enforceability.

The Transaction Documents, when executed and delivered by the Purchaser, shall constitute valid and legally binding obligations of such Party, enforceable against such Party in accordance with their respective terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and any other Laws of general application affecting enforcement of creditors' rights generally, and as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

4.6 No Insolvency.

- (a) No Purchaser's Group Company is insolvent.
- (b) There are no circumstances which would entitle any Person to successfully present a petition for the winding-up or administration of any Purchaser's Group Company or to appoint a receiver over the whole or any part of the undertaking or assets of any Purchaser's Group Company.

4.7 SEC Documents.

- (a) Other than the annual report on Form 20-F which was not timely filed, the Purchaser has filed or furnished, as applicable, on a timely basis all required reports, schedules, forms, certifications, prospectuses, and registration, proxy and other statements with the United States Securities and Exchange Commission (the "**SEC**") since August 8, 2014 (collectively and together with all documents filed on a voluntary basis on Form 6-K, and in each case including all exhibits and schedules thereto and documents incorporated by reference therein, and in its effective form (the "**SEC Documents**") in material aspects.
- (b) Each of the SEC Documents, at the time of its filing or being furnished, has complied in all material respects, with the applicable requirements of the Exchange Act, the Securities Act and the Sarbanes-Oxley Act of 2002, and any rules and regulations promulgated thereunder applicable to the SEC Documents. As of their respective dates (or, if amended prior to the date hereof, as of the date of such amendment), the SEC Documents did not, and any SEC Documents filed with or furnished to the SEC Documents did not, and any SEC Documents filed with or furnished to the SEC subsequent to the date hereof will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading.

5. **COVENANTS AND AGREEMENTS OF THE SELLER**

5.1 Access and Investigation.

Between the date of this Agreement and the Closing, the Seller and the Company will and will cause each Group Company to, (a) afford the Purchaser and its representatives and prospective lenders and their representatives (collectively, the "**Purchaser's Advisors**") full and free access to each Group Company's personnel, properties, contracts, books and records, and other documents and data, (b) furnish the Purchaser and each Purchaser's Advisors with copies of all such contracts, books and records, and other existing documents and data as the Purchaser may reasonably request, and (c) furnish the Purchaser and the Purchaser's Advisors with such additional financial, operating, and other data and information as the Purchaser may reasonably request.

5.2 Operation of the Group Business.

Between the date of this Agreement and the Closing, the Seller shall and shall cause the Company and each Group Company to:

- (a) conduct the business of each Group Company only in accordance with its ordinary course of business consistent with past practices;
- (b) pay its and its Group Companies' debts and Taxes when due;
- (c) pay or perform other material obligations when due;
- (d) use their best efforts to preserve intact the current business organization of each Group Company, keep available the services of the current officers, directors, employees, agent, representative and consultants of each Group Company, and maintain the relations and good will with suppliers, customers, landlords, creditors, employees, agents, and others having business relationships with each Group Company;
- (e) confer with the Purchaser concerning operational matters of a material nature;
- (f) maintain the assets owned or used by each Group Company in a state of repair and condition that complies with Law and contracts and is consistent with the requirements and normal conduct of the business of that Group Company; and
- (g) maintain all records of each Group Company consistent with past practice.

5.3 Negative Covenants.

Except as otherwise expressly permitted by this Agreement, between the date of this Agreement and the Closing, the Seller shall, and shall cause the Company and the Group Companies not to, without the prior consent of the Purchaser:

- (a) cause or permit any amendment or modification of the Charter Documents of any Group Company;
- (b) declare or any pay dividends on or make any other distributions (whether in cash, stock or property) in respect of any of its or any of its Group Companies' capital stock or share capital, or split, combine or reclassify any of its capital stock or share capital or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or share capital, or repurchase or otherwise acquire, directly or indirectly any shares of its or its Group Companies' capital stock or share capital, except from former employees, directors and consultants in accordance with agreements in effect prior to the date hereof providing for the repurchase of shares in connection with any termination of service from it or its Group Companies;
- (c) issue, deliver or sell, or authorize or propose the issuance, delivery or sale of, or purchase or propose the purchase of, any shares of its or its Group Companies' capital stock or share capital or securities convertible into, or subscriptions, rights, warrants or options to acquire, or other agreements or commitments of any character obligating it or its Group Companies to issue any such shares or other convertible securities;
- (d) transfer to any Person or entity any rights to the Company Intellectual Property, other than non-exclusive licenses granted to customers in the ordinary course of business consistent with past practices;

- (e) enter into or amend any agreements pursuant to which any other party is granted exclusive marketing or other exclusive rights of any type or scope with respect to any Company Intellectual Property;
- (f) incur any indebtedness for borrowed money, or guarantee any such indebtedness, or issue or sell any debt securities or guaranty of any debt securities of others;
- (g) enter into, terminate or amend, in a manner that would be reasonably expected to adversely affect the business of any Group Companies any agreement relating to the license, transfer or other disposition or acquisition of Company Intellectual Property rights or rights to any material contracts that are outside of the ordinary course of business;
- (h) make any capital expenditures, capital additions or capital improvements, outside of the ordinary course of business;
- (i) acquire or agree to acquire by merging with, or by purchasing a substantial portion of the stock or assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets that are material, individually or in the aggregate, to its business or the business of any of its Group Companies;
- (j) revalue any of its or its Group Companies' assets, other than in the ordinary course of business, consistent with past practice, or as required by changes in the applicable accounting standards; or
- (k) other than in the ordinary course of business, make or change any material election in respect of Taxes, adopt or change any accounting method in respect of Taxes, file any Tax Return or any amendment to a Tax Return, enter into any closing agreement, settle any claim or assessment in respect of Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes.

5.4 Required Approvals.

As promptly as practicable after the date of this Agreement, and in any event within the applicable time period prescribed by Law, the Seller shall, and shall cause each Group Company and each of their Affiliates to, make all filings and notifications required by Law to be made by them in connection with the Transactions, if any. The Seller shall, and shall cause each Group Company and each of their Affiliates to, cooperate with the Purchaser and its Affiliates with respect to all filings and notifications that are required by Law to be made in connection with the Transactions.

5.5 Notification.

Between the date of this Agreement and the Closing, the Seller will promptly notify the Purchaser in writing if the Seller become aware of any fact or condition that causes or constitutes a breach of the Seller and warranties as set forth in Section 3, or if the Seller becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. During the same period, the Seller will promptly notify the Purchaser of the occurrence of any breach of any covenant of the Seller in this Section 5 or of the occurrence of any event that may make the satisfaction of the conditions in Section 6 impossible or unlikely.

5.6 Best Efforts.

Between the date of this Agreement and the Closing, the Seller shall, and shall cause each Group Company to, use its best efforts to take, or cause to be taken, all actions, and to do, or cause to be done and cooperate with each other to do, all things necessary, proper or advisable to perform all of the obligations set forth in Section 5 and cause the conditions in Section 6 to be satisfied. The Seller shall, and cause each of its Affiliates to, exert best efforts to take, or cause to be taken, all actions, and to do, or cause to be done all things reasonably necessary, proper or advisable under applicable laws or otherwise to obtain all consents, approvals or conditions, if any, that may be required before the Closing. The Seller shall cooperate as requested by the Purchaser to obtain all such consents, approvals or conditions.

6. CONDITIONS TO THE PURCHASER'S OBLIGATIONS AT CLOSING

The obligations of the Purchaser to purchase Shares of the Company at the Closing are subject to the fulfilment, on or before such Closing, of each following condition, unless otherwise waived:

6.1 Representations and Warranties.

The representations and warranties of the Seller contained in Section 3 shall be true, correct and complete in all material respects as of such Closing, except where such breach of representations and warranties, individually or in the aggregate, could not reasonably be expected to result in a Group Material Adverse Effect.

6.2 Performance.

The Seller and Group Company shall have performed and complied with, in all material respects, all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by the Company on or before such Closing.

6.3 Compliance Certificate.

The Seller shall have delivered to the Purchaser at such Closing a certificate certifying, on behalf of the Seller, that the conditions specified in Sections 7.1 and 7.2 have been fulfilled.

6.4 Transaction Documents.

The Seller shall have delivered to the Purchaser all Transaction Documents, duly executed, to which he, she or it, as applicable, is a party.

7. CONDITIONS OF THE SELLER'S OBLIGATIONS AT CLOSING

The obligations of the Seller to sell Shares of the Company held by the Seller at the Closing are subject to the fulfillment, on or before such Closing, of each following condition, unless otherwise waived:

7.1 Representations and Warranties.

The representations and warranties of the Purchaser contained in Section 4 shall be true, correct and complete in all material respects as of such Closing, except where such breach of representations and warranties, individually or in the aggregate, could not reasonably be expected to result in a Purchaser's Material Adverse Effect.

7.2 Performance.

The Purchaser shall have performed and complied with, in all material respects, all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by them on or before such Closing.

7.3 Compliance Certificate.

The Purchaser shall have delivered to the Seller at such Closing a certificate certifying that the conditions specified in Sections 8.1 and 8.2 have been fulfilled.

7.4 Transaction Documents.

The Purchaser shall have delivered to the Seller all Transaction Documents, duly executed, to which it, he or she, as applicable, is a party.

8. **TERMINATION**

8.1 Termination Events.

This Agreement and any Transaction Document may, be notice given prior to or at the Closing, be terminated:

- (a) by either the Purchaser or the Seller if a material breach of any provision of this Agreement has been committed by another Party and such breach has not been waived or rectified within thirty (30) days after the breach;
- (b) by mutual consent of the Purchaser and the Seller; or
- (c) by the Purchaser or the Seller if the Closing has not occurred (other than through the failure of any Party seeking to terminate this Agreement to comply fully with its or their obligations under this Agreement) on or November 30, 2019 (the "**Long-Stop Date**"), or such later date as the Parties may agree upon.

8.2 Effect of Termination.

Each Party's right of termination under Section 8.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 8.1, all further obligations of the Parties under this Agreement will terminate; provided, however, that if this Agreement is terminated by a Party because of the breach of the Agreement by another Party or because one or more of the conditions to the terminating Party's obligations under this Agreement is not satisfied as a result of another Party's failure to comply with its obligations under this Agreement, the terminating Party's right to pursue all legal remedies will survive such termination unimpaired.

9. INDEMNIFICATION AND REMEDIES

9.1 Survival.

- (a) All representations, warranties, covenants, and obligations in this Agreement, and any certificate, document, or other writing delivered pursuant to this Agreement will survive for one (1) year after the Closing and the consummation and performance of the Transactions. The covenants and other agreements of each Party contained in this Agreement shall survive the Closing until fully discharged in accordance with their terms, except for those covenants and agreements which shall be complied with or discharged prior to the Closing in accordance with the terms of this Agreement.
- (b) If written notice of a claim for indemnification has been given in accordance with this Section 9.2 prior to the time at which the applicable representations, warranties, covenants or other agreements would otherwise terminate pursuant to the foregoing, then the relevant representations, warranties, covenants or other agreements shall survive such time as to such claim, until such claim has been finally resolved.
- (c) The waiver of any condition relating to any representation, warranty, covenant, or obligation will not affect the right to indemnification, payment, reimbursement, or other remedy based upon such representation, warranty, covenant, or obligation.

9.2 Indemnification.

From and after the date of the Closing, each Party, as applicable (the “**Indemnifying Person**”), shall indemnify and hold the other relevant Parties and their respective directors, officers and agents (collectively, the “**Indemnified Person**”) harmless from and against any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever, including but not limited to any investigative, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding, and any taxes or levies that may be payable by such person by reason of the indemnification of any indemnifiable loss hereunder (collectively, “**Losses**”) resulting from or arising out of: (i) the breach of any representation or warranty of the Indemnifying Person contained in the Transaction Documents, or (ii) the violation or nonperformance, partial or total, of any covenant or agreement of the Indemnifying Person contained in the Transaction Documents. In calculating the amount of any Losses of an Indemnified Person hereunder, there shall be subtracted the amount of any insurance proceeds and third-party payments received by the Indemnified Person with respect to such Losses, if any.

9.3 Third-Party Claims.

- (a) The Indemnified Person shall give notice of the assertion of a Third-Party Claim to the Indemnifying Person; provided, however, that no failure or delay on the part of an Indemnified Person in notifying an Indemnifying Person will relieve the Indemnifying Person from any obligation under this Section 9 except to the extent that the failure or delay materially prejudices the defense of the Third-Party Claim by the Indemnifying Person.

- (b) (i) Except as provided in Section 9, the Indemnifying Person may elect to assume the defense of the third-party claim with counsel satisfactory to the Indemnified Person by (a) giving notice to the Indemnified Person of its election to assume the defense of the Third-Party Claim and (b) giving the Indemnified Person evidence acceptable to the Indemnified Person that the Indemnifying Person has adequate financial resources to defend against the Third-Party Claim and fulfill its obligations under this Section 9, in each case no later than ten (10) days after the Indemnified Person gives notice of the assertion of a Third-Party Claim under Section 9.3(a).
- (ii) If the Indemnifying Person elects to assume the defense of a Third-Party Claim: (A) it shall diligently conduct the defense and, so long as it diligently conducts the defense, shall not be liable to the Indemnified Person for any Indemnified Person's fees or expenses subsequently incurred in connection with the defense of the Third-Party Claim other than reasonable costs of investigation, (B) the election will conclusively establish for purposes of this Agreement that the Indemnified Person is entitled to relief under this Agreement for any loss arising, directly or indirectly, from or in connection with the Third-Party Claim, (C) no compromise or settlement of such Third-Party Claim may be effected by the Indemnifying Person without the Indemnified Person's consent unless (I) there is no finding or admission of any violation by the Indemnified Person of any Laws or any rights of any Person, (II) the Indemnified Person receives a full release of and from any other claims that may be made against the Indemnified Person by the Third Party bringing the Third-Party Claim, and (III) the sole relief provided is monetary damages that are paid in full by the Indemnifying Person, and (D) the Indemnifying Person shall have no liability with respect to any compromise or settlement of such claims effected without its consent.
- (iii) If the Indemnifying Person does not assume the defense of a Third-Party Claim in the manner and within the period provided in Section 9.3(b)(i), or if the Indemnifying Person does not diligently conduct the defense of a Third-Party Claim, the Indemnified Person may conduct the defense of the Third-Party Claim at the expense of the Indemnifying Person and the Indemnifying Person shall be bound by any determination resulting from such Third-Party Claim or any compromise or settlement effected by the Indemnified Person.
- (c) Notwithstanding the foregoing, if an Indemnified Person determines in good faith that there is a reasonable probability that a Third-Party Claim may adversely affect it or any Affiliate other than as a result of monetary damages for which it would be entitled to relief under this Agreement, the Indemnified Person may, by notice to the Indemnifying Person, assume the exclusive right to defend, compromise, or settle such Third-Party Claim.

- (d) Notwithstanding the provisions of Section 11.12, the Parties consent to the nonexclusive jurisdiction of any court in which a proceeding is brought against any Indemnified Person for purposes of determining any claim that an Indemnified Person may have under this Agreement with respect to such proceeding or the matters alleged therein.
- (e) With respect to any Third-Party Claim subject to this Section 9.3: (i) any Indemnified Person and any Indemnifying Person, as the case may be, shall keep the other Person fully informed of the status of such Third-Party Claim and any related proceeding at all stages thereof where such Person is not represented by its own counsel, and (ii) both the Indemnified Person and the Indemnifying Person, as the case may be, shall render to each other such assistance as they may reasonably require of each other and shall cooperate in good faith with each other in order to ensure the proper and adequate defense of any Third-Party Claim.
- (f) In addition to Section 10, with respect to any Third-Party Claim subject to this Section 9.3, the Parties shall cooperate in a manner to reserve in full (to the extent possible) the confidentiality of all confidential information and the attorney-client and work product privileges. In connection therewith, each Party agrees that: (i) it shall use its best efforts, in respect of any Third-Party Claim in which it has assumed or participated in the defense, to avoid production of confidential information (consistent with applicable Law and rules of procedure) and (ii) all communications between any Party and counsel responsible for or participating in the defense of any Third-Party Claim shall, to the extent possible, be made so as to preserve any applicable attorney-client or work-product privilege.
- (g) Any claim under this Section 9.3 for any matter involving a Third-Party Claim shall be indemnified, paid, or reimbursed promptly. If the Indemnified Person shall for any reason assume the defense of a Third-Party Claim, the Indemnifying Person shall reimburse the Indemnified Person on a monthly basis for the costs of investigation and the reasonable fees and expenses of counsel retained by the Indemnified Person.

9.4 Indemnatee Negligence.

The provisions in this Section 9 shall be enforceable regardless of whether the liability is based upon past, present or future acts, claims or Laws and regardless of whether any Person (including the Person from whom relief is sought) alleges or proves the sole, concurrent, contributory, or comparative negligence of the Person seeking relief, or the sole or concurrent strict liability imposed upon the person seeking relief.

10. **CONFIDENTIALITY AND PRESS RELEASE**

10.1 Disclosure of Terms.

The terms and conditions of this Agreement, the other Transaction Documents, any term sheet or memorandum of understanding entered into pursuant to the transactions contemplated hereby and thereby, all exhibits and schedules attached hereto and thereto, and the transactions contemplated hereby and thereby (collectively, the “**Confidential Information**”), including their existence, shall be considered confidential information and the Parties hereto shall not, and shall procure their respective Affiliates not to, disclose to any third party except as permitted in accordance with the provisions set forth below.

10.2 Press Release.

Any public announcement, including any press release, communication to employees customers, suppliers, or others having dealings with the Purchaser or the Company, or similar publicity with respect to this Agreement or any Transaction, will be issued, at such time, in such manner and containing such content as the Purchaser and the Seller agree in writing.

10.3 Permitted Disclosure.

Notwithstanding anything in the foregoing to the contrary:

- (a) the Seller may disclose any portion of the Confidential Information to the Company's, officers, directors, Key Employees, investment bankers, lenders, accountants, auditors, business or financial advisors, and attorneys, in each case only where such persons or entities are under appropriate non-disclosure obligations imposed by professional ethics, law or otherwise;
- (b) the Purchaser may disclose any portion of the Confidential Information to its current officers, directors, Key Employees, investment bankers, lenders, accountants, auditors, business or financial advisors, and attorneys, in each case only where such persons or entities are under appropriate non-disclosure obligations imposed by professional ethics, law or otherwise; and
- (c) the confidentiality obligations set out in Section 10.1 above do not apply to:
 - (i) information which was in the public domain or otherwise known to the relevant Party before it was furnished to it by another Party or, after it was furnished to that Party, entered the public domain otherwise than as a result of (i) a breach by that Party of this Section 10, or (ii) a breach of a confidentiality obligation by the discloser, where the breach was known to that Party;
 - (ii) information the disclosure of which is necessary in order to comply with any applicable Law, the order of any court, the requirements of a stock exchange or to obtain tax or other clearances or consents from any relevant authority; or
 - (iii) information disclosed by any director of the Company to its appointer or any of its Affiliates or otherwise in accordance with the foregoing provisions of this Section 10.

10.4 Legally Required Disclosure.

In the event that any Party is requested by any Governmental Authority or becomes legally required (including, pursuant to securities Laws and regulations) to disclose, under applicable Laws, the existence of this Agreement, other Transaction Documents or the content of any of the financing terms in contravention of the provisions of this Section 10, such Party (the "**Disclosing Party**") shall provide the other Party with prompt written notice of that fact and shall consult with the other Party regarding such disclosure. The Disclosing Party shall, to the extent possible and with the cooperation and reasonable efforts of the other Party, seek a protective order, confidential treatment or other appropriate remedy. In such event, the Disclosing Party shall furnish only that portion of the information which is legally required to be disclosed and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded to such information.

10.5 Other Information.

The provisions of this Section 10 shall be in addition to, and not in substitution for, the provisions of any separate non-disclosure agreement executed by any of the Parties hereto with respect to the Transactions.

11. MISCELLANEOUS

11.1 Fees and Expenses.

Except as otherwise provided in this Agreement or the other documents to be delivered pursuant to this Agreement, each Party will bear its respective fees and expenses incurred in connection with the preparation, negotiation, execution, and performance of this Agreement and the consummation and performance of the Transactions, including all fees and expenses of its officers, directors, partners, employees, agents or representatives. The obligation of each Party to bear its own fees and expenses will be subject to any rights of such Party arising from a breach of this Agreement by another Party.

The stamp duty in connection with the Transactions shall be borne equally by the Seller (on the one hand) and the Purchaser (on the other hand). The Seller shall be solely responsible for his, her or its own income tax, capital gain tax or other forms of Taxes payable by the Seller under the applicable Laws.

11.2 Further Assurance.

The Parties will (a) execute and deliver to each other such other documents and (b) do such other acts and things as a Party may reasonably request for the purpose of carrying out the intent of this Agreement, the Transactions, and the documents to be delivered pursuant to this Agreement.

11.3 Entire Agreement.

This Agreement supersedes all prior agreements, whether written or oral, between the Parties with respect to its subject matter (including any letter of intent and, upon the Closing, any confidentiality obligation to which the Purchaser is subject) and constitutes a complete and exclusive statement of the terms of the agreement between the Parties with respect to the subject matter of this Agreement.

11.4 Amendment.

This Agreement may only be amended, supplemented, or otherwise modified by the Purchaser and the Seller in writing.

11.5 Assignments and Successors.

The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties. Nothing in this Agreement, express or implied, is intended to confer upon any Party other than the Parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

11.6 No Third-Party Rights.

Other than the Indemnified Persons and the Parties, no Person will have any legal or equitable right, remedy, or claim under or with respect to this Agreement. This Agreement may not be amended or terminated, and any provision of this Agreement may be waived, without the consent of any Person who is a Party to the Agreement (and in the case of the Seller).

11.7 Remedies Cumulative.

The rights and remedies of the Parties under this Agreement are cumulative and not alternative.

11.8 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the principles of conflicts of law thereof.

11.9 Dispute Resolution.

Any dispute, controversy or claim arising out of or relating to this Agreement, or the interpretation, breach, termination or invalidity thereof, shall, so far as it is possible, be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force and as may be amended by the rest of this Section 11. The appointing authority shall be Hong Kong International Arbitration Centre (“**HKIAC**”). The seat of the arbitration shall be Hong Kong. There shall be three (3) arbitrators. The Company and the Seller, on the one hand, and the Purchaser, on the other hand, shall be entitled to designate one arbitrator each. The two (2) arbitrators shall consult with each other to agree upon the selection of a third arbitrator. The arbitration shall be conducted in the English language. Evidence and testimony may be presented in any language, including a language other than English providing it is accompanied by an English translation thereof (which translation shall have been certified and prepared or given at the sole cost of the Party offering such evidence or testimony). The arbitral award shall be in English writing and, unless the parties to the arbitration agree otherwise, shall state the reasons upon which it is based. The award shall be final and binding on the parties to the arbitration.

11.10 Attorney’s Fees.

In the event any claim, action, suit, proceeding, arbitration, complaint, charge or investigation is brought in respect of this Agreement or any of the documents referred to in this Agreement, the prevailing Party shall be entitled to recover reasonable attorneys’ fees and other costs incurred in such claim, action, suit, proceeding, arbitration, complaint, charge or investigation, in addition to any relief to which such Party may be entitled under applicable Law.

11.11 Enforcement of Agreement.

Each Party acknowledge and agree that the other Party would be irreparably harmed if any of the provisions of this Agreement are not performed in accordance with their specific terms and that any breach of this Agreement by such Party could not be adequately compensated in all cases by monetary damages alone. Accordingly, each Party agrees that, in addition to any other right or remedy to which the other Party may be entitled at law or in equity, such Party shall be entitled to enforce any provision of this Agreement by a decree of specific performance and to obtain temporary, preliminary, and permanent injunctive relief to prevent breaches or threatened breaches, without posting any bond or giving any other undertaking.

The Purchaser agrees that it shall take all actions necessary to cause the Purchaser to perform all its obligations under this Agreement. If the Purchaser fails to perform any of its obligations hereunder, the Purchaser shall immediately perform such obligations on behalf of the Purchaser, including the Purchaser's obligations to consummate the Transactions contemplated herein and to make payments pursuant to the terms hereof. The Purchaser further agrees that the Seller are entitled to enforce such terms in this Agreement applicable against the Purchaser if the Purchaser fails to comply with such terms.

11.12 No Waiver.

Neither any failure nor any delay by any Party in exercising any right, power, or privilege under this Agreement or any of the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable Law, (a) no claim or right arising out of this Agreement or any of the documents referred to in this Agreement can be waived by a Party, in whole or in part, unless made in a writing signed by such Party, (b) a waiver given by a Party will only be applicable to the specific instance for which it is given, and (c) no notice to or demand on a Party will (i) waive or otherwise affect any obligation of that Party or (ii) affect the right of the Party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

11.13 Notices.

All notices and other communications required or permitted by this Agreement shall be in writing and will be effective, and any applicable time period shall commence, when (a) delivered to the following address by hand or by a nationally recognized overnight courier service (costs prepaid) addressed to the following address or (b) transmitted electronically to the following facsimile numbers or e-mail addresses, in each case marked to the attention of the Person (by name or title) designated below (or to such other address, facsimile number, e-mail address, or Person as a Party may designate by notice to the other Party):

The Seller:

Address: 12 East 49 Street, 17th Floor, New York, NY, US 10017

Attention: Haohan Xu

E-mail: modernxu@gmail.com

The Purchaser

Address: 2/F, No. 608, Macau Road, Putuo District, Shanghai 20060, PRC

Attention: Frank Zhigang Zhao

E-mail: zhigangzhao@ccjmu.com

11.14 Severability.

If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

11.15 Time of Essence.

With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

11.16 Counterparts and Electronic Signatures.

- (a) This Agreement and other documents to be delivered pursuant to this Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy and all of which, when taken together, will be deemed to constitute one and the same agreement or document, and will be effective when counterparts have been signed by each of the Parties and delivered to the other Party.
- (b) A manual signature on this Agreement or other documents to be delivered pursuant to this Agreement, an image of which shall have been transmitted electronically, will constitute an original signature for all purposes. The delivery of copies of this Agreement or other documents to be delivered pursuant to this Agreement, including executed signature pages where required, by electronic transmission will constitute effective delivery of this Agreement or such other document for all purposes.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Parties have executed this Share Purchase Agreement as of the date first written above.

THE PURCHASER:

JMU Limited

Name: /s/ Xiaoxia Zhu
Xiaoxia Zhu
Title: Chairperson of the Board of Directors,
Chief Executive Officer

[Signature Page to the Share Purchaser Agreement]

IN WITNESS WHEREOF, the Parties have executed this Share Purchase Agreement as of the date first written above.

THE SELLER:

Mr. Haohan Xu

Name: /s/ Haohan Xu
Haohan Xu

[Signature Page to the Share Purchaser Agreement]

IN WITNESS WHEREOF, the Parties have executed this Share Purchase Agreement as of the date first written above.

THE COMPANY

UNICORN INVESTMENT LIMITED

Name: /s/ Haohan Xu
Title: Haohan Xu
Director

[Signature Page to the Share Purchaser Agreement]

SCHEDULE A
Seller, Number of Shares and Share Consideration

Seller	Number of Shares of the Company Immediately Prior to Closing and sold to the Purchaser at the Closing	Share Consideration to be paid by the Purchaser at the Closing
Haohan Xu	10,000	632,660,858

SCHEDULE B
List of VIE Agreements

1. Exclusive Business Operation Agreement
 2. Equity Pledge Agreement
 3. Exclusive Option Agreement
 4. Power of Attorney
-

SCHEDULE C
Organization Chart of the Group



SCHEDULE D
Capitalization of the Purchaser

	<u>Aggregate number of ordinary shares (as exercised for options)</u>
Number of issued and outstanding ordinary shares before the Closing	1,476,208,670
Number of ordinary shares to be issued on the Closing	632,660,858
Outstanding options	43,249,448

EXHIBIT A
FORM OF REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the “**Agreement**”) is dated as of May 21, 2019, by and between JMU Limited, an exempted company duly incorporated and validly existing under the laws of Cayman Islands (the “**Company**”) and Mr. Haohan Xu, an U.S. citizen with the passport No. ***** (“**Right Holder**”). The Company and the Rights Holders are each referred to herein as a “**Party**,” and collectively as the “**Parties**.”

WHEREAS, the Company, the Rights Holder and Unicorn Investment Limited, a company duly incorporated and validly existing under the laws of the British Virgin entered into a Share Purchase Agreement dated May 21, 2019 (the “**Share Purchase Agreement**”), pursuant to which the Company agreed to enter into a registration rights agreement with the Rights Holder at or prior to the occurrence of the closing contemplated under the Share Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual promises made in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS

1.1 Definitions.

As used in this Agreement, the following terms have the respective meaning set forth below:

“ ADSs ”	means the American depositary shares of the Company;
“ Affiliate ”	means, with respect to any specified Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person, including, without limitation, any officer, director, employee, member, partner or shareholder of such Person and any venture capital fund now or hereafter existing that is controlled by or under common control with one or more general partners or managing members of, or shares the same management company with, such Person;
“ Agreement ”	has the meaning set forth in the preamble;
“ automatic shelf registration statement ”	has the meaning set forth in <u>Section 2.4(j)</u> ;
“ Company ”	has the meaning set forth in the preamble;
“ Company Securities ”	means (i) Ordinary Shares, (ii) securities convertible into or exchangeable for Ordinary Shares, (iii) any options, warrants or other rights to acquire Ordinary Shares and (iv) any depositary receipts or similar instruments issued in respect of Ordinary Shares;

“Exchange Act”	means the Securities Exchange Act of 1934 of the United States, as amended (and any successor thereto), and the rules and regulations promulgated thereunder;
“Form F-3”	means such respective forms under the Securities Act as in effect on the date hereof or any successor form under the Securities Act that permits significant incorporation by reference of the Company’s subsequent public filings under the Exchange Act;
“HKIAC”	has the meaning set forth in <u>Section 3.11</u> ;
“Immediate Family Member”	has the meaning set forth in <u>Section 2.11</u> ;
“Initiating Holders”	has the meaning set forth in <u>Section 2.1(b)</u> ;
“Ordinary Shares”	means the ordinary shares in the capital of the Company, par value of US\$0.00001 per share;
“Person”	means any individual, corporation, partnership, trust, limited liability company, association or other entity;
“register,” “registered,” or “registration”	Refers to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or documents;
“Registrable Securities”	means (i) any Ordinary Shares acquired by the Rights Holder pursuant to the Share Transfer Agreements, and (ii) any other Ordinary Shares of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares listed in clauses (i); provided, however, that the foregoing definition shall exclude in all cases any Registrable Securities sold by a person in a transaction in which his or her rights under this Agreement are not assigned. Notwithstanding the foregoing, Ordinary Shares or other securities shall only be treated as Registrable Securities if and so long as (A) they have not been sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction, (B) they have not been sold in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under <u>Section 4(1)</u> thereof so that all transfer restrictions, and restrictive legends with respect thereto, if any, are removed upon the consummation of such sale, or (C) the Rights Holder thereof is entitled to exercise any right provided in <u>Article 2</u> in accordance with <u>Section 2.13</u> below;

“Registrable Securities then outstanding”	means the number of Ordinary Shares of the Company that are Registrable Securities and are then issued and outstanding or would be outstanding assuming full conversion of all securities, warrants or other rights which are, directly or indirectly, convertible, exercisable or exchangeable into or for Registrable Securities;
“Rights Holder”	has the meaning set forth in the preamble;
“SEC”	means the United States Securities and Exchange Commission;
“Securities Act”	means the United States Securities Act of 1933, as amended (and any successor thereto) and the rules and regulations promulgated thereunder;
“Share Purchase Agreement”	has the meaning set forth in the recitals;
“Share Transfer Agreements”	means the share transfer agreements entered into by and between the Rights Holder and certain other parties, respectively;
“Violation”	has the meaning set forth in Section 2.9(a) ;
“WKSJ”	has the meaning set forth in Section 2.4(j) ;

2. REGISTRATION RIGHTS

2.1 [Request for Registration.](#)

- (a) If the Company shall receive at any time a written request from the Rights Holder of at least ten percent (10%) of the Registrable Securities then outstanding that the Company file a registration statement under the Securities Act with an anticipated aggregate offering price (before deduction of underwriting discounts, commissions and expenses) of at least US\$5,000,000 then the Company shall, within ten (10) days of the receipt thereof, give written notice of such requests to the Rights Holder and shall, subject to the limitations of [Section 2.1\(b\)](#), use its best efforts to file as soon as practicable, and in any event within ninety (90) days of the receipt of such requests, a registration statement under the Securities Act covering all Registrable Securities which the Rights Holder requests to be registered within twenty (20) days of the mailing of such notice by the Company;

- (b) If the Rights Holder initiating the registration request hereunder (“**Initiating Holders**”) intend to distribute the Registrable Securities covered by his request by means of an underwriting, he shall so advise the Company as a part of his request made pursuant to this Section 2.1 and the Company shall include such information in the written notice referred to in Section 2.1(a). The underwriter will be selected by a majority in interest of the Initiating Holders and shall be reasonably acceptable to the Company. In such event, the right of the Rights Holder to include his Registrable Securities in such registration shall be conditioned upon such holder’s participation in such underwriting and the inclusion of such Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such holder) to the extent provided herein. The Rights Holder proposing to distribute his securities through such underwriting shall (together with the Company as provided in Section 2.4(e)) enter into an underwriting agreement in customary form with the underwriter or underwriters of internationally recognized standing selected for such underwriting reasonably acceptable to the holders of at least a majority of the voting power of all Registrable Securities proposed to be included in such registration. Notwithstanding any other provision of this Section 2.1, if the underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Initiating Holders shall so advise all holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares of such Registrable Securities that may be included in the underwriting shall be allocated among the participating Rights Holder thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities owned by the participating Rights Holder; provided, however, that the number of shares of Registrable Securities to be included in such underwriting shall not be reduced unless all other Company Securities are first entirely excluded from the underwriting; provided further that any Initiating Holder shall have the right to withdraw its request for registration from the underwriting by written notice to the Company and the underwriters delivered at least ten (10) days prior to the effective date of the registration statement, and such withdrawal request for registration shall not be deemed to constitute one of the registration rights granted pursuant to this Section 2.1. If the Rights Holder disapproves the terms of any underwriting, such holder may elect to withdraw therefrom by written notice to the Company and the underwriters delivered at least ten (10) days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwritten offering shall be withdrawn from the registration. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to the Rights Holder to the nearest one hundred (100) shares.
- (c) Notwithstanding the foregoing, if the Company shall furnish to Rights Holder requesting a registration statement pursuant to this Section 2.1, a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement, the Company shall have the right to defer such filing for a period of not more than one hundred twenty (120) days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any 12-month period; provided further that during such one hundred twenty (120)-day period, the Company shall not file any registration statement pertaining to the public offering of any Company Securities.

- (d) In addition, the Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 2.1:
- (i) after the Company has effected six (6) registrations pursuant to this Section 2.1 and such registrations have been declared or ordered effective;
 - (ii) in response to the demand for registration by any Initiating Holder or any of its Affiliates pursuant to this Section 2.1, after the Company has effected two (2) registrations pursuant to such Initiating Holder's or its Affiliate's demand for registration pursuant to this Section 2.1 and such registrations have been declared or ordered effective;
 - (iii) during the period starting with the date ninety (90) days prior to the Company's good faith estimate of the date of filing of, and ending on a date ninety (90) days after the effective date of, a registration subject to Section 2.2 hereof; provided that the Company is actively employing in good faith its best efforts to cause such registration statement to become effective and that the Holders are entitled to join such registration in accordance with Section 2.2 hereof; or
 - (iv) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form F-3 pursuant to a request made pursuant to Section 2.3 below.

2.2 Piggyback Registration.

If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for shareholders other than the Rights Holder) any of Company Securities under the Securities Act in connection with the public offering of such securities solely for cash (other than a registration relating solely to the sale of securities to participants in a Company share option, share purchase or similar plan or a transaction covered by Rule 145 under the Securities Act, a registration in which the only shares being registered are Ordinary Shares issuable upon conversion of debt securities which are also being registered, or any registration on any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities), the Company shall, at such time, promptly give the Rights Holder written notice of such registration. Upon the written request of the Rights Holder given within twenty (20) days after mailing of such notice by the Company in accordance with Section 3.5, the Company shall, subject to the provisions of Section 2.7, use its best efforts to cause to be registered under the Securities Act all of the Registrable Securities that such Rights Holder has requested to be registered. Registration pursuant to this Section 2.2 shall not be deemed to be a demand registration as described in Section 2.1 above. If the Rights Holder decides not to include all or any of its Registrable Securities in such registration by the Company, such Rights Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of Company Securities, all upon the terms and conditions set forth herein. There shall be no limit on the number of times the Rights Holder may request registration of Registrable Securities under this Section 2.2.

2.3 Form F-3 Registration.

The Company shall use its best efforts to qualify for registration on Form F-3. In case the Company shall receive from the Rights Holder a written request that the Company effect a registration on Form F-3 or any comparable or successor form and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Rights Holder, the Company shall:

- (a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other rights holders;
- (b) use its best efforts to effect, as soon as practicable, such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Rights Holder's Registrable Securities as are specified in such request, in a written request given within 15 days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 2.3:
 - (i) if Form F-3 is not available for such offering by the Rights Holder;
 - (ii) if the Rights Holder intends to sell Registrable Securities at an aggregate price to the public (after the deduction of any underwriters' discounts or commissions) of less than US\$500,000;
 - (iii) if the Company shall furnish to the Rights Holder a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such Form F-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form F-3 registration statement for a period of not more than one hundred twenty (120) days after receipt of the request of the rights Holder(s) under this Section 2.3; provided, however, that the Company shall not utilize this right more than once in any 12-month period; provided further that during such one hundred twenty (120)-day period, the Company shall not file any registration statement pertaining to the public offering of any Company Securities ; or
 - (iv) if, within the 12-month period preceding the date of such request, the Company has already effected two (2) registrations on Form F-3 for the Rights Holder pursuant to this Section 2.3; or (v) during the period ending one hundred eighty (180) days after the effective date of a registration statement subject to Section 2.2; provided that the Rights Holder is entitled to join such registration in accordance with Section 2.2 hereof; and

- (c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities as soon as practicable after receipt of the request or requests of the Rights Holder. Registrations effected pursuant to this Section 2.3 shall not be counted as demands for registration or registrations effected pursuant to Sections 2.1 or 2.2, respectively. Subject to the Section 2.3(b), there shall be no limit on the number of times the Rights Holder may request registration of Registrable Securities under this Section 2.3.

2.4 Obligations of the Company.

Whenever required under this Article 2 Whenever required under this Article 2 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

- (a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities, and use its best efforts to cause such registration statement to become effective, and, upon the request of the Rights Holder of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to ninety (90) days or until the distribution described in such registration statement is completed, if earlier. In the case of any registration of Registrable Securities on Form F-3 which are intended to be offered on a continuous or delayed basis, such ninety (90)-day period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold, provided that Rule 415, or any successor rule under the Securities Act, permits an offering on a continuous or delayed basis, and provided further that applicable rules under the Securities Act governing the obligation to file a post-effective amendment permit, in lieu of filing a post-effective amendment that (i) includes any prospectus required by Section 10(a)(3) of the Securities Act or (ii) reflects facts or events representing a material or fundamental change in the information set forth in the registration statement, the incorporation by reference of information required to be included in (i) and (ii) above to be contained in periodic reports filed pursuant to Section 13 or 15(d) of the Exchange Act in the registration statement;
- (b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for up to ninety (90) days or until the distribution described in such registration statement is completed, if earlier;
- (c) Furnish to the Rights Holder such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

- (d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Rights Holder, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;
- (e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. The Rights Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement;
- (f) Notify the Rights Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, or if in the opinion of counsel for the Company it is necessary to supplement or amend such prospectus to comply with law, and at the request of the Rights Holder promptly prepare and furnish to the Rights Holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made or such prospectus, as supplemented or amended, shall comply with law;
- (g) Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed;
- (h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;
- (i) Use its best efforts to furnish, at the request of the Rights Holder requesting registration of Registrable Securities pursuant to this Article 2, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Article 2, if such securities are being sold through underwriters, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters;

- (j) To the extent the Company is a well-known seasoned issuer (as defined in Rule 405 under the Securities Act) (a “**WKSI**”) at the time any request for registration is submitted to the Company in accordance with Section 2.3, if so requested, file an automatic shelf registration statement (as defined in Rule 405 under the Securities Act) (an “automatic shelf registration statement”) to effect such registration;
- (k) If (i) the Company determines that it is not a WKSI, (ii) the registration statement is required to be kept effective in accordance with this Agreement, and (iii) the registration rights of the applicable Rights Holder have not terminated, promptly amend the registration statement onto a form the Company is then eligible to use or file a new registration statement on such form, and keep such registration statement effective in accordance with the requirements otherwise applicable under this Agreement;
- (l) If (i) a registration made pursuant to a shelf registration statement is required to be kept effective in accordance with this Agreement after the third anniversary of the initial effective date of the shelf registration statement and (ii) the registration rights of the applicable Rights Holder have not terminated, file a new registration statement with respect to any unsold Registrable Securities subject to the original request for registration prior to the end of the three year period after the initial effective date of the shelf registration statement, and keep such registration statement effective in accordance with the requirements otherwise applicable under this Agreement; and
- (m) Otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the SEC.

2.5 Furnish Information.

It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Article 2 with respect to the Registrable Securities of the selling Rights Holder that the Rights Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Rights Holder's Registrable Securities. The Company shall have no obligation with respect to any registration requested pursuant to Section 2.1 or Section 2.3 of this Agreement if, as a result of the application of the preceding sentence, the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in Section 2.1(a) or Section 2.3(b), whichever is applicable.

2.6 Expenses of Registration.

- (a) Demand Registration. All expenses (other than underwriting discounts and commissions and ADS issuance and stock transfer taxes and fees) incurred in connection with registrations, filings or qualifications pursuant to Section 2.1 for the Rights Holder (which right may be assigned as provided in Section 2.11), including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements of one counsel for the selling Rights Holder selected by them with the approval of the Company, which approval shall not be unreasonably withheld, shall be borne by the Company. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. In no event shall the Company be responsible for any underwriting, broker or similar fees or commissions of any Rights Holder. Notwithstanding the foregoing, the Company shall not be required to bear any costs and expenses provided in this Section 2.6(a) for the registration proceeding begun pursuant to Section 2.1, if the registration request is subsequently withdrawn at the request of the Rights Holder of a majority of the Registrable Securities to be registered, unless if at the time of such withdrawal, the Rights Holder has learned of a material adverse change in the condition, business, or prospects of the Company not known to the Rights Holder at the time of his request for such registration and have withdrawn his request for registration with reasonable promptness after learning of such material adverse change (in which case such registration shall not constitute the use of a demand registration pursuant to Section 2.1);
- (b) Piggyback Registration. All expenses (other than underwriting discounts and commissions and ADS issuance and stock transfer taxes and fees) incurred in connection with registrations, filings or qualifications of Registrable Securities pursuant to Section 2.2 for the Rights Holder, including (without limitation) all registration, filing, and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the Rights Holder selected by them with the approval of the Company, which approval shall not be unreasonably withheld, shall be borne by the Company;
- (c) Registration on Form F-3. All expenses (other than underwriting discounts and commissions and ADS issuance and stock transfer taxes and fees) incurred in connection with a registrations, filings or qualifications pursuant to Section 2.3 for the Rights Holder, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the selling Holder or Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld, shall be borne by the Company.

2.7 Underwriting Requirements.

In connection with any offering involving an underwriting of the Company's capital shares, the Company shall not be required under Section 2.2 to include any of the Rights Holder's securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters of internationally recognized standing selected by it (or by other persons entitled to select the underwriters), and then only in such quantity as the underwriters determine in his sole discretion will not jeopardize the success of the offering by the Company. If the total amount of the Company Securities, including Registrable Securities, requested by shareholders to be included in such offering exceeds the amount of securities that the underwriters determine in his sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such Company Securities, including Registrable Securities, which the underwriters determine in his sole discretion will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling shareholders according to the total amount of securities entitled to be included therein owned by each selling shareholder or in such other proportions as shall mutually be agreed to by such selling shareholders) but in no event shall (i) the amount of Registrable Securities of the selling Rights Holder included in the offering be reduced below twenty-five percent (25%) of the total amount of the Registrable Securities included in such offering, or (ii) any other Company Securities held by any shareholder other than the selling Rights Holder be included if any Registrable Securities held by the selling Rights Holder are excluded. For the avoidance of doubt, the rights of Rights Holder to be included in such an offering shall be *pari passu* with each other. If the Rights Holder disapproves the terms of any underwriting, the Rights Holder may elect to withdraw therefrom by written notice to the Company and the underwriters delivered at least ten (10) days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from the underwritten offering shall be withdrawn from the registration.

2.8 Delay of Registration.

No Rights Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Article 2.

2.9 Indemnification.

In the event any Registrable Securities are included in a registration statement under Article 2:

- (a) To the extent permitted by law, the Company will indemnify and hold harmless the Rights Holder, any underwriter (as such term is defined in the Securities Act) for the Rights Holder and each Person, if any, who controls the Rights Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a “**Violation**”): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will pay to each such Rights Holder, underwriter or controlling Person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 2.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to any Rights Holder, underwriter or controlling Person for any such loss, claim, damage, liability, or action to the extent that it arises solely out of or is based solely upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Rights Holder, underwriter or controlling Person.
- (b) To the extent permitted by law, the selling Rights Holder that has included Registrable Securities in a registration will, severally and not jointly, indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each Person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, any other rights holders selling securities in such registration statement and any controlling Person of any such underwriter or other Rights Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing Persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by the Rights Holder expressly for use in connection with such registration; and the Rights Holder will pay, as incurred, any legal or other expenses reasonably incurred by any Person intended to be indemnified pursuant to this Section 2.9(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 2.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Rights Holder, which consent shall not be unreasonably withheld; provided, that in no event shall any indemnity under this Section 2.9(b) plus any amount under Section 2.9(d) exceed the net proceeds from the offering out of which such Violation arises received by such Rights Holder, except in the case of willful fraud by such Rights Holder.

- (c) Promptly after receipt by an indemnified party under this Section 2.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the Parties; provided, however, that an indemnified party (together with all other indemnified Parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonable fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.9 to the extent the indemnifying party is prejudiced as a result thereof, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.9.
- (d) If the indemnification provided for in this Section 2.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations; provided, that in no event shall any contribution by the Rights Holder under this Section 2.9(d) plus any amount under Section 2.9(b) exceed the net proceeds from the offering received by such Rights Holder, except in the case of willful fraud by such Rights Holder. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.
- (e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

- (f) The obligations of the Company and the Rights Holder under this Section 2.9 shall survive the completion of any offering of Registrable Securities in a registration statement under this Article 2, and otherwise.

2.10 Reports Under the Exchange Act.

With a view to making available to the Rights Holder the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit the Rights Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form F-3, the Company agrees to:

- (a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after ninety (90) days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public so long as the Company remains subject to the periodic reporting requirements under Sections 13 or 15(d) of the Exchange Act;
- (b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and;
- (c) furnish to any Rights Holder, so long as the Rights Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after the effective date of the first registration statement filed by the Company), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form F-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing the Rights Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

2.11 Assignment of Registration Rights.

The rights to cause the Company to register Registrable Securities pursuant to this Article 2 may be assigned (but only with all related obligations) by the Rights Holder to a transferee or assignee (i) of at least 100,000 shares of such securities (as adjusted for share splits, share combinations, share dividends and the like) (or if the transferring Rights Holder owns less than 100,000 shares of such securities, then all Registrable Securities held by the transferring Rights Holder), (ii) that is a subsidiary, Affiliate, parent, partner, limited partner, retired partner, member, retired member and/or shareholder of the Rights Holder, (iii) that is an affiliated fund or entity of the Rights Holder, which means with respect to a limited liability company or a limited liability partnership, a fund or entity managed by the same manager or managing member or general partner or management company or by an entity controlling, controlled by, or under common control with such manager or managing member or general partner or management company, (iv) who is the Rights Holder's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, cousin, nephew, niece, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (such a relation, the Rights Holder's "**Immediate Family Member**", which term shall include adoptive relationships), or (v) that is a trust for the benefit of an individual Rights Holder or the Rights Holder's Immediate Family Member, provided the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and provided, further, that such assignment shall be effective only if the transferee agrees to be bound by this Agreement and immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act. For the purposes of determining the number of shares of Registrable Securities held by a transferee or assignee, the holdings of transferees and assignees of (x) a partnership who are partners or retired partners of such partnership, or (y) a limited liability company who are members or retired members of such limited liability company (including Immediate Family Members of such partners or members who acquire Registrable Securities by gift, will or intestate succession) shall be aggregated together and with the partnership or limited liability company; provided that all assignees and transferees who would not qualify individually for assignment of registration rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices or taking any action under Article 2.

2.12 No Registration Rights to Third Parties.

Except otherwise provided in Section 2.11, from and after the date of this Agreement, the Company shall not, without the prior written consent of the Rights Holder of Registrable Securities then outstanding, the Company covenants and agrees that it shall not grant, or cause or permit to be created, for the benefit of any person or entity any registration rights of any kind (whether similar to the demand, “piggyback” or Form F-3 registration rights described in this Section 2, or otherwise) relating to any securities of the Company which are senior to, or on a parity with, those granted to the Rights Holder in this Agreement.

2.13 Termination of Registration Rights.

No Rights Holder shall be entitled to exercise any right provided for in this Article 2 during any period that Rule 144 under the Securities Act is available for the sale of all of such Rights Holder’s shares without registration without volume or manner of sale limitation.

3. MISCELLANEOUS

3.1 Effectiveness and Termination.

This Agreement shall be effective as to the Parties as of the date hereof. This Agreement shall terminate upon the termination of the registration rights pursuant to Section 2.13.

3.2 Conditions Precedent to Registration.

The Parties agree and acknowledge that the Registrable Securities acquired under the Share Purchase Agreement shall not be registered in accordance with Section 2.1, Section 2.2 or Section 2.3 hereunder until the expiry of the Distribution Compliance Period (as defined under the Share Purchase Agreement).

3.3 Entire Agreement.

This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof, and any and all other written or oral agreements relating to the subject matter hereof existing between the Parties are expressly cancelled.

3.4 Successors and Assigns.

Except as otherwise provided in this Agreement, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the Parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the Parties or his respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.5 Amendments and Waivers.

Any term of this Agreement may be amended or waived only with the written consent of each Parties.

3.6 Notices.

All notices and other communications required or permitted by this Agreement shall be in writing and will be effective, and any applicable time period shall commence, when (a) delivered to the following address by hand or by a nationally recognized overnight courier service (costs prepaid) addressed to the following address or (b) transmitted electronically to the following facsimile numbers or e-mail addresses, in each case marked to the attention of the Person (by name or title) designated in Schedule 1 (or to such other address, facsimile number, e-mail address, or Person as a Party may designate by notice to the other Party).

3.7 Severability.

If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

3.8 Governing Law.

This Agreement and all acts and transactions pursuant hereto shall be governed, construed and interpreted in accordance with the laws of the State of New York, without giving effect to principles of conflicts of laws.

3.9 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile and e-mailed copies of signatures shall be deemed to be originals for purposes of the effectiveness of this Agreement.

3.10 Titles and Subtitles.

The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.11 Dispute Resolution.

Any dispute, controversy or claim arising out of or relating to this Agreement, or the interpretation, breach, termination or invalidity thereof, shall, so far as it is possible, be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force and as may be amended by the rest of this Section 3.11. The appointing authority shall be Hong Kong International Arbitration Centre (“**HKIAC**”). The seat of the arbitration shall be Hong Kong. There shall be three (3) arbitrators. The Company, on the one hand, and the Rights Holder, on the other hand, shall be entitled to designate one arbitrator each. The two arbitrators shall consult with each other to agree upon the selection of a third arbitrator. The arbitration shall be conducted in the English language. Evidence and testimony may be presented in any language, including a language other than English providing it is accompanied by an English translation thereof (which translation shall have been certified and prepared or given at the sole cost of the Party offering such evidence or testimony). The arbitral award shall be in English writing and, unless the parties to the arbitration agree otherwise, shall state the reasons upon which it is based. The award shall be final and binding on the parties to the arbitration.

3.12 Rights Cumulative; Specific Enforcement.

Each and all of the various rights, powers and remedies of a Party will be considered to be cumulative with and in addition to any other rights, powers and remedies which such Party may have at Law or in equity in the event of the breach of any of the terms of this Agreement. Without limiting the foregoing, the Parties acknowledge and agree irreparable harm may occur for which money damages would not be an adequate remedy in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to injunction to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement.

3.13 Further Assurances.

Upon the terms and subject to the conditions herein, each Party agrees to use its reasonable best efforts to take or cause to be taken all action, to do or cause to be done, to execute such further instruments, and to assist and cooperate with the other Party in doing, all things necessary, proper or advisable under applicable Laws or otherwise to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement.

3.14 No Waiver.

Neither any failure nor any delay by any party in exercising any right, power, or privilege under this Agreement or any of the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable laws, (a) no claim or right arising out of this Agreement or any of the documents referred to in this Agreement can be waived by a Party, in whole or in part, unless made in a writing signed by such Party; (b) a waiver given by a Party will only be applicable to the specific instance for which it is given; and (c) no notice to or demand on a Party will (i) waive or otherwise affect any obligation of that Party or (ii) affect the right of the Party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

3.15 Delays or Omissions.

No delay or omission to exercise any right, power or remedy accruing to any Party under this Agreement, upon any breach or default of any other Party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting Party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Unless otherwise expressly provided hereunder, any waiver, permit, consent or approval of any kind or character on the part of any Party of any breach or default under this Agreement, or any waiver on the part of any Party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.

3.16 Counterparts and Electronic Signatures.

This Agreement and other documents to be delivered pursuant to this Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy and all of which, when taken together, will be deemed to constitute one and the same agreement or document, and will be effective when counterparts have been signed by each of the parties and delivered to the other parties.

A manual signature on this Agreement or other documents to be delivered pursuant to this Agreement, an image of which shall have been transmitted electronically, will constitute an original signature for all purposes. The delivery of copies of this Agreement or other documents to be delivered pursuant to this Agreement, including executed signature pages where required, by electronic transmission will constitute effective delivery of this Agreement or such other document for all purposes.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Parties have executed this Agreement and caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first written above.

THE COMPANY:

JMU Limited

Name: /s/ Xiaoxia Zhu
Title: Chairperson of the Board of Directors,
Chief Executive Officer

[Signature Page to Registration Rights Agreement]

IN WITNESS WHEREOF, the Parties have executed this Registration Rights Agreement as of the date first written above.

RIGHTS HOLDER:

Mr. Haohan Xu

Name: /s/ Haohan Xu
Haohan Xu

[Signature Page to Registration Rights Agreement]

List of Principal Subsidiaries and Consolidated Variable Interest Entities of JMU Limited

Subsidiaries	Place of Incorporation
Join Me Group (HK) Investment Company Limited	Hong Kong
Join Me Group Supply Chain Management Company Limited	Hong Kong
New Admiral Limited	Cayman Islands
Shanghai Zhongming Supply Chain Management Co. Ltd.	PRC
Ucon Capotal (HK) Limited	Hong Kong
Beijing Lianji Future Technology Co., Ltd.	PRC
Consolidated Variable Interest Entities	
Shanghai Zhongmin Supply Chain Management Co. Ltd.	PRC
Beijing Lianji Technology Co., Ltd.	PRC

**Certification by the Principal Executive Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Xiaoxia Zhu, certify that:

1. I have reviewed this annual report on Form 20-F of JMU Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 28, 2019

By: /s/ Xiaoxia Zhu
Name: Xiaoxia Zhu
Title: Chief Executive Officer

**Certification by the Principal Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Frank Zhigang Zhao, certify that:

1. I have reviewed this annual report on Form 20-F of JMU Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 28, 2019

By: /s/ Frank Zhigang Zhao
Name: Frank Zhigang Zhao
Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of JMU Limited (the “Company”) on Form 20-F for the year ended December 31, 2018 as filed with the Securities and Exchange Commission (the “Report”), I, Xiaoxia Zhu, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: June 28, 2019

By: /s/ Xiaoxia Zhu
Name: Xiaoxia Zhu
Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of JMU Limited (the “Company”) on Form 20-F for the year ended December 31, 2018 as filed with the Securities and Exchange Commission (the “Report”), I, Frank Zhigang Zhao, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: June 28, 2019

By: /s/ Frank Zhigang Zhao
Name: Frank Zhigang Zhao
Title: Chief Financial Officer

June 28, 2019
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Ladies and Gentlemen:

We have read Item 16F of Form 20-F of JMU Limited (the "Company") for the fiscal year ended December 31, 2018 and are in agreement with the statements made in the first and second sentences of paragraph 1, paragraph 2 and paragraph 3 of that section. We have no basis to agree or disagree with other statements of the registrant contained therein.

/s/ Ernst & Young Hua Ming LLP

Shanghai, the People's Republic of China

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-206466) pertaining to the Amended and Restated 2011 Share Incentive Plan of JMU Limited of our report dated April 24, 2018, with respect to the consolidated financial statements of JMU Limited as of December 31, 2017 and for each of the years ended December 31, 2017 and 2016, included in this Annual Report (Form 20-F) for the year ended December 31, 2018.

/s/ Ernst & Young Hua Ming LLP

Shanghai, the People's Republic of China

June 28, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of JMU Limited (formerly known as Wowo Limited):

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of JMU Limited (formerly known as Wowo Limited) (the "Company") as of December 31, 2018, the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Michael T. Studer CPA P.C.

Freeport, New York, USA

June 28, 2019

CONSENT OF BEIJING DACHENG LAW OFFICES, LLP (Shanghai)

June 28, 2019

JMU Limited

2/F, No. 608, Macau Road
Putuo District, Shanghai
People's Republic of China
Ladies and Gentlemen,

We hereby consent to references to our name by JMU Limited under the heading "If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC governmental restrictions on foreign investment in internet business, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations." and "Contractual Arrangements with Our Consolidated Affiliated Entity" on Form 20-F for the year ended December 31, 2018 (the "Annual Report"), and further consent to the incorporation by reference into the Registration Statement on Form S-8 (No.333-206466). We also consent to the filing of this consent letter with the U.S. Securities and Exchange Commission as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully

/s/ Beijing Dacheng Law Offices, LLP (Shanghai)
Beijing Dacheng Law Offices, LLP (Shanghai)

Our ref JUH/694616-000001/14396655v1
Direct tel +852 36907431
E-mail juno.huang@maples.com

2/F, No. 608, Macau Road
Putuo District, Shanghai
People's Republic of China

28 June 2019

Dear Sir

JMU Limited (the "Company")

We have acted as legal advisers as to the laws of the Cayman Islands to the Company in connection with the filing by the Company with the United States Securities and Exchange Commission (the "SEC") of an annual report on Form 20-F for the year ended 31 December 2018 ("Form 20-F").

We hereby consent to the reference of our name under the heading "Item 3. Key Information—D. Risk Factors—Risks Relating to Our ADSs—We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under U.S. law, you could have less protection of your shareholder rights than you would under U.S. law" in the Form 20-F, and further consent to the incorporation by reference of the summary of our opinion under this heading into the Company's registration statement under Form S-8 (File No. 333-206466) that was filed on 19 August 2016.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP
Maples and Calder (Hong Kong) LLP
