

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(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, 2020  
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: 001-39121

**ECMOHO Limited**

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

3rd Floor, 1000 Tianyaoqiao Road  
Xuhui District  
Shanghai, 200030  
The People's Republic of China  
(Address of principal executive offices)

Cayman Islands  
(Jurisdiction of incorporation or organization)

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The People's Republic of China

(Name, Telephone, Email 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 depositary shares, each representing four Class A ordinary shares	MOHO	The Nasdaq Stock Market LLC
Class A ordinary shares, par value US\$0.00001 per share*		The Nasdaq Stock Market LLC

\*Not for trading, but only in connection with the listing on the Nasdaq Stock Market LLC of American depositary shares, each representing four (4) Class A 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.

As of December 31, 2020, there were (i) 69,361,833 Class A ordinary shares, par value US\$0.00001 per share, including 50,605,596 Class A ordinary shares represented by 12,651,399 American depositary shares, and (ii) 71,355,616 Class B ordinary shares, par value US\$0.00001 per share. Each American depositary share represents four (4) Class A ordinary shares as of December 31, 2020.

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

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 definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-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 whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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  Other   
as issued by the International Accounting Standards Board

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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### Conventions that apply to this Annual Report on Form 20-F

In this annual report on Form 20-F, each of the following terms has the meaning ascribed to it below:

- “we,” “us,” “our company” and “our” refer to ECMOHO Limited, a Cayman Islands exempted company with limited liability (or its predecessors as the context requires), and its subsidiaries, consolidated affiliated entities (including our variable interest entity) and their respective subsidiaries;
- “ADRs” refers to our American depository receipts, which evidence our ADSs;
- “ADSs” refers to our American depository shares, each of which represents four (4) of our Class A ordinary shares;
- “brand partners” refers to owners of non-proprietary brands (represented in our brand portfolio), each of which is managed by a dedicated operations team;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report on Form 20-F only, Taiwan, Hong Kong and Macau;
- “Class A ordinary share” refers to a Class A ordinary share in the capital of our company, with a par value of US\$0.00001 per share;
- “Class B ordinary share” refers to a Class B ordinary share in the capital of our company, with a par value of US\$0.00001 per share;

- “ECMOHO Hong Kong” refers to ECMOHO (Hong Kong) Health Technology Limited, a limited company established under the Laws of Hong Kong;
- “ECMOHO Shanghai” refers to Shanghai ECMOHO Health Biotechnology Co, Ltd., a limited liability company established under the Laws of the PRC;
- “EIT Law” refers to the Enterprise Income Tax Law of the PRC;
- “initial public offering” refers to our initial public offering of 4,675,000 ADSs (including ADSs sold in connection with the over-allotment offering), representing 18,700,000 of our Class A ordinary shares;
- “integrated solution provider” refers to entities that provide services connecting producers with consumers by combining global sourcing capabilities with local distribution channels and coverage. Such providers typically offer integrated solutions consisting of one-stop information technology solutions, online and offline store operations, digital marketing, warehousing and logistics, and customer management;
- “KOLs” refers to key opinion leaders who have extensive experience or industry insights in the various subsectors of the health and wellness industry;
- “major brand partners” refers to our brand partners, each of which contributed over US\$10.0 million to our product sales revenues in the designated period;
- 
- “ordinary shares” refers, collectively, to our Class A ordinary shares and Class B ordinary shares;
- “our variable interest entity” or “our VIE” refers to Shanghai Yibo;
- “RMB” or “Renminbi” refers to the legal currency of China;
- “Shanghai Yibo” refers to Shanghai Yibo Medical Equipment Co., Ltd.;
- “SKU” refers to stock keeping unit, which, for the purpose of this annual report on Form 20-F, can be a combination of other stock keeping units;
- “US\$” or “U.S. dollars” refers to the legal currency of the United States of America;
- “Xiangui Shanghai” refers to Xiangui (Shanghai) Biotechnology Co., Ltd; and
- “Yang Infinity” refers to Yang Infinity (Shanghai) Biotechnology Co., Limited.

#### Cautionary Note Regarding Forward-looking Statements

This annual report on Form 20-F contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Exchange Act. All statements other than statements of historical fact in this annual report on Form 20-F are forward-looking statements. These forward-looking statements can be identified by words or phrases such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “is/are likely to,” “may,” “plan,” “should,” “will” and similar expressions. These forward-looking statements include, without limitation, statements relating to:

- the continued growth of the e-commerce market or the health and wellness industry in China;
- our ability to manage the expansion of our business and implement our business strategies;
- our ability to anticipate changes in customer and consumer preferences;
- our ability to maintain and develop favorable relationships with e-commerce channels, brand partners, content generators and other third parties involved in our ecosystem;

- our ability to compete with other companies and new entrants to the market;
- our capital needs and ability to source such capital on acceptable terms;
- dependence on key management personnel and quality and retention of personnel generally;
- regulatory changes in the PRC and compliance with such regulations;
- the impact of the COVID-19 pandemic on the PRC economy, our major brand partners in the United States and Europe and our operations and financial performance;
- our ability to effectively manage our inventory and warehousing capabilities;
- our own information technology systems and infrastructure;
- other factors that may affect our business, financial condition and results of operations; and
- other risk factors discussed under “Item 3. Key Information—D. Risk Factors.”

Forward-looking statements are not guarantees of performance and are based on certain assumptions, discuss future expectations, describe plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual effect of plans or strategies is inherently uncertain, particularly given the current economic environment. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements and you should not unduly rely on these statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from those forward-looking statements.

All forward-looking statements included herein are based upon information available to us on the date hereof and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**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 tables set forth selected consolidated financial data for our company. The selected consolidated statements of operations and comprehensive income/(loss) data and the selected consolidated statements of cash flow data for the years ended December 31, 2018, 2019 and 2020 and the selected consolidated balance sheets data as of December 31, 2019 and 2020 have been derived from our audited U.S. GAAP consolidated financial statements, which are included in this annual report on Form 20-F beginning on page F-1. The selected consolidated statements of operations and comprehensive income/(loss) data and the selected consolidated statements of cash flow data for the years ended December 31, 2017 and the selected consolidated balance sheets data as of December 31, 2017 and 2018 have been derived from our audited U.S. GAAP consolidated financial statements not included in this annual report on Form 20-F.

You should read our selected financial data in conjunction with “Item 3. Key Information—D. Risk Factors,” “Item 5. Operating and Financial Review and Prospects” and the consolidated financial statements included elsewhere in this annual report on Form 20-F. Historical results for any period are not necessarily indicative of results for any future period.

**Selected Consolidated Statements of Operations and Comprehensive Income/(Loss) Data**

The following table sets forth our selected consolidated results of operations for the periods presented, both in absolute terms and as a percentage of our total net revenues for the periods presented.

	Year Ended December 31,							
	2017		2018		2019		2020	
	Amount	% of total net revenues	Amount	% of total net revenues	Amount	% of total net revenues	Amount	% of total net revenues
(in thousands of U.S. dollars, except for share, per share data and percentages)								
<b>Net revenues:</b>								
Product sales	95,573	97.3%	176,098	88.5%	302,099	91.7%	300,156	98.4%
Services	2,665	2.7	22,917	11.5	27,381	8.3	4,783	1.6
<b>Total net revenues</b>	<b>98,238</b>	<b>100.0</b>	<b>199,015</b>	<b>100.0</b>	<b>329,480</b>	<b>100.0</b>	<b>304,939</b>	<b>100.0</b>
<b>Total cost of revenue</b>	<b>(69,124)</b>	<b>(70.4)</b>	<b>(140,153)</b>	<b>(70.4)</b>	<b>(257,431)</b>	<b>(78.1)</b>	<b>(246,300)</b>	<b>(80.8)</b>
<b>Gross profit</b>	<b>29,114</b>	<b>29.6</b>	<b>58,862</b>	<b>29.6</b>	<b>72,049</b>	<b>21.9</b>	<b>58,639</b>	<b>19.2</b>
<b>Operating expenses:</b>								
Fulfillment expenses	(6,217)	(6.3)	(13,097)	(6.6)	(16,957)	(5.1)	(14,398)	(4.7)
Sales and marketing expenses	(15,529)	(15.8)	(27,462)	(13.8)	(40,206)	(12.2)	(45,754)	(15.0)
General and administrative expenses	(4,004)	(4.1)	(9,069)	(4.6)	(8,497)	(2.6)	(11,037)	(3.6)
Research and development expenses	(485)	(0.5)	(1,669)	(0.8)	(1,808)	(0.5)	(1,106)	(0.4)
Other operating income	—	—	—	—	35	0.0	—	—
<b>Total operating expenses</b>	<b>(26,235)</b>	<b>(26.7)</b>	<b>(51,297)</b>	<b>(25.8)</b>	<b>(67,433)</b>	<b>(20.5)</b>	<b>(72,295)</b>	<b>(23.7)</b>
<b>Operating income/(loss)</b>	<b>2,879</b>	<b>2.9</b>	<b>7,565</b>	<b>3.8</b>	<b>4,616</b>	<b>1.4</b>	<b>(13,656)</b>	<b>(4.5)</b>
Finance expenses, net	(145)	(0.1)	(926)	(0.4)	(2,513)	(0.8)	(2,615)	(0.9)
Foreign exchange (loss)/gain, net	106	0.1	(306)	(0.2)	(393)	(0.1)	979	0.3
Other income, net	(36)	0.0	234	0.1	475	0.1	1,800	0.6
<b>Income/(loss) before income tax expenses</b>	<b>2,804</b>	<b>2.9</b>	<b>6,567</b>	<b>3.3</b>	<b>2,185</b>	<b>0.7</b>	<b>(13,492)</b>	<b>(4.4)</b>
Income taxes (expenses)/benefits	(80)	(0.1)	(417)	(0.2)	(250)	(0.1)	7	0.0
<b>Net income/(loss)</b>	<b>2,724</b>	<b>2.8%</b>	<b>6,150</b>	<b>3.1%</b>	<b>1,935</b>	<b>0.6%</b>	<b>(13,485)</b>	<b>(4.4%)</b>
<b>Net income/(loss) attributable to ECMOHO Limited</b>	<b>2,825</b>	<b>2.9%</b>	<b>6,124</b>	<b>3.1%</b>	<b>2,297</b>	<b>0.7%</b>	<b>(13,299)</b>	<b>(4.4%)</b>
Less: Accretion on Round A convertible redeemable preferred shares to redemption value	(1,559)		(1,018)		—		—	
Less: Accretion on Round B convertible redeemable preferred shares to redemption value	(2,413)		(1,575)		—		—	
Less: Accretion on Series A convertible redeemable preferred shares to redemption value	—		(445)		(1,023)		—	
Less: Accretion to redemption value of redeemable non-controlling interests	—		(130)		(312)		—	
Less: Extinguishment of convertible redeemable preferred shares	—		(24,764)		—		—	
<b>Net (loss)/income attributable to ECMOHO Limited's ordinary shareholders</b>	<b>(1,147)</b>		<b>(21,808)</b>		<b>962</b>		<b>(13,299)</b>	

	Year Ended December 31,			
	2017	2018	2019	2020
	(in thousands of U.S. dollars, except for share and per share data)			
<b>Net (loss)/income attributable to ECMOHO Limited's ordinary shareholders</b>	(1,147)	(21,808)	962	(13,299)
<b>Net (loss)/earnings per share attributable to ECMOHO Limited's ordinary shareholders</b>				
—basic	(0.01)	(0.26)	0.01	(0.10)
—diluted	(0.01)	(0.26)	0.01	(0.10)
<b>Weighted average number of Ordinary Shares</b>				
—basic	81,162,400	84,970,000	98,104,216	139,619,496
—diluted	81,162,400	84,970,000	115,644,864	139,619,496

#### Selected Consolidated Cash Flow Data

The following table presents our selected consolidated cash flow data for the periods indicated.

	Year Ended December 31,			
	2017	2018	2019	2020
	(in thousands of U.S. dollars)			
Net cash (used in)/provided by in operating activities	(2,444)	(40,756)	(14,189)	21,601
Net cash used in investing activities	(508)	(1,748)	(813)	(6,644)
Net cash provided by/(used in) financing activities	1,583	44,036	54,337	(22,786)
Cash, cash equivalents and restricted cash at beginning of the year	12,079	10,689	12,965	51,099
Cash, cash equivalents and restricted cash at end of the year	10,689	12,965	51,099	45,284

#### Selected Consolidated Balance Sheet Data

The following table presents our selected consolidated balance sheet data for the periods indicated.

	As of December 31,			
	2017	2018	2019	2020
	(in thousands of U.S. dollars)			
<b>Current assets:</b>				
Cash and cash equivalents	10,689	10,336	49,099	45,284
Accounts receivable, net	12,322	33,840	49,829	42,006
Inventories, net	17,366	53,683	49,895	33,263
<b>Total current assets</b>	<b>44,513</b>	<b>111,747</b>	<b>172,189</b>	<b>130,399</b>
<b>Total assets</b>	<b>48,447</b>	<b>117,772</b>	<b>178,460</b>	<b>142,628</b>
<b>Total current liabilities</b>	<b>24,280</b>	<b>74,829</b>	<b>93,562</b>	<b>61,111</b>
<b>Total liabilities</b>	<b>24,831</b>	<b>75,148</b>	<b>93,770</b>	<b>63,074</b>
<b>Total mezzanine equity</b>	<b>43,974</b>	<b>74,847</b>	<b>—</b>	<b>—</b>
<b>Total shareholders' (deficit)/equity</b>	<b>(20,646)</b>	<b>(32,223)</b>	<b>84,690</b>	<b>79,554</b>

#### Non-GAAP Measures

We use the following non-GAAP performance indicators to monitor financial performance: adjusted operating income/(loss) and adjusted net income/(loss).

We use adjusted operating income/(loss) and adjusted net income/(loss), each a non-GAAP financial measure, in evaluating our operating results and for financial and operational decision-making purposes. Adjusted operating income/(loss) represents operating income/(loss) excluding share-based compensation expenses. Adjusted net income/(loss) represents net income/(loss) excluding share-based compensation expenses. These adjustments have no impact on income tax.



We believe that adjusted operating income/(loss) and adjusted net income/(loss) help identify underlying trends in our business that could otherwise be distorted by the effect of certain expenses that we include in operating income and net income. We also believe that adjusted operating income and adjusted net income provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

	Year Ended December 31,			
	2017	2018	2019	2020
	(unaudited)			
	(in thousands of U.S. dollars)			
Adjusted operating income/(loss)	2,879	7,922	6,191	(13,181)
Adjusted net income/(loss)	2,724	6,507	3,510	(13,010)

The non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. They should not be considered in isolation or construed as alternatives to net loss or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to review the historical non-GAAP financial measures in light of the most directly comparable GAAP measures, as shown below. The non-GAAP financial measures presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The table sets forth a reconciliation of our adjusted operating income/(loss) and adjusted net income/(loss) in the years presented to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP, which are operating income/(loss) and net income/(loss):

	Year Ended December 31,			
	2017	2018	2019	2020
	(unaudited)			
	(in thousands of U.S. dollars)			
Operating income/(loss)	2,879	7,565	4,616	(13,656)
Add: share-based compensation expenses	—	357	1,575	475
<b>Adjusted operating income/(loss)</b>	<b>2,879</b>	<b>7,922</b>	<b>6,191</b>	<b>(13,181)</b>
Net income/(loss)	2,724	6,150	1,935	(13,485)
Add: share-based compensation expenses	—	357	1,575	475
<b>Adjusted net income/(loss)</b>	<b>2,724</b>	<b>6,507</b>	<b>3,510</b>	<b>(13,010)</b>

#### Exchange Rate Information

Our reporting currency is the U.S. dollar. This annual report on Form 20-F 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 as at December 31, 2020 were made at RMB6.5249 to US\$1.00, the exchange rate set by the People's Bank of China on December 31, 2020. We make no representation that the Renminbi or U.S. dollar amounts referred to in this annual report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade.

#### B. Capitalization and Indebtedness

Not applicable.

#### C. Reasons for the Offer and Use of Proceeds

Not applicable.

## D. Risk Factors

This section describes the risks that we currently believe may materially affect our business, financial condition and results of operations. The factors below should be considered in connection with any forward-looking statements in this annual report on Form 20-F. Although we will make reasonable efforts to mitigate or minimize these risks, one or more of a combination of these risks could materially and adversely impact our business, revenues, sales, net assets, financial condition, results of operations, liquidity, capital resources and prospects. Additional risks and uncertainties that we are unaware of, or that we currently believe to be immaterial, may also become important factors that affect us.

### Summary Risk Factors

#### *Risks Related to Our Business and Industry*

- Our company's business, financial position, liquidity and results of operations have been, and are likely to continue to be, materially and adversely affected by the COVID-19 pandemic.
- If the e-commerce market or the health and wellness industry in China does not grow, or grows more slowly than we expect, the demand for our products and solutions could be materially and adversely affected.
- We may not be able to effectively manage the expansion of our business or optimally implement our business strategies.
- If we fail to anticipate evolving consumer preferences for health and wellness products and/or fail to cater effectively to consumer demands, our ability to attract and retain customers may be materially and adversely affected.
- Our success depends on our ability to maintain relationships with existing brand partners and to develop relationships with new brand partners.
- We may be unable to compete effectively against stronger and better-resourced e-commerce companies, offline competitors or new entrants to the health and wellness market, and we may lose market share as a result.
- We may need additional capital but may not be able to obtain it on acceptable terms, or at all.
- We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate or retain our staff could hinder our ability to maintain and grow our business.
- We are subject to evolving regulatory requirements, non-compliance with which, or changes in which, may materially and adversely affect our business and prospects.
- We may be subject to claims under consumer protection laws, including health and safety claims and product liability claims, if property or people are harmed by the products sold on our platform.

#### *Risks Related to Our Corporate Structure*

- We are a "controlled company" within the meaning of the Nasdaq corporate governance requirements, which may result in public investors having less protection than they would if we were not a controlled company.
- If the PRC government finds that the agreements that establish the operating structure for some of our operations in China do not comply with PRC regulations relating to the relevant industries, 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.
- Any failure by our VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.
- The shareholders of our VIE may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

#### ***Risks Related to Doing Business in China***

- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.
- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.
- We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of healthcare industry and Internet-related businesses, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.
- Recent joint statement by the SEC and the Public Company Accounting Oversight Board (United States), or the PCAOB, proposed rule changes submitted by Nasdaq, the newly enacted Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to the trading of our ADSs on U.S. stock exchanges.

#### ***Risks Related to Our ADSs***

- The trading price of our ADSs may be volatile, which could result in substantial losses to you.
- If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and trading volume could decline.
- Our dual-class share structure with different voting rights limits our investors' ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and holders of our ADSs may view as beneficial.

#### ***Risks Related to Our Business and Industry***

##### ***Our company's business, financial position, liquidity and results of operations have been, and are likely to continue to be, materially and adversely affected by the COVID-19 pandemic.***

Since late-January 2020 following the outbreak of a novel strain of coronavirus that causes the disease now known as COVID-19, the Chinese government has imposed a series of strict and protracted containment measures, including city lockdowns and travel restrictions across the country. Despite these efforts, the disease has continued to spread globally and, in March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic and recommended the implementation of containment and mitigation measures worldwide.

Governments across the globe have responded to contain the spread and reduce the risk of exposure to infection through international travel restrictions, lockdowns of cities and wider regions, business closures and strict social distancing measures. In China, as of the date of this annual report, such measures appear to have successfully contained the spread of the virus, with restrictions now being lifted across the country and businesses resuming operations. While other parts of the world are showing increased control over the spread of the virus, substantial uncertainty surrounding the duration of existing restrictions remains.

The COVID-19 pandemic and the associated efforts to contain the spread of the disease have caused unprecedented disruptions to the global economy, impacted business operations across many industries and geographies and created significant volatility and uncertainty, all of which have had a material adverse effect on our results of operations, cash flows and overall financial position. For example, during the implementation of lockdown measures in China, our operations were affected as many of our employees were unable to return to work following the Lunar New Year public holiday. We only resumed full operations and achieved full staffing levels in mid-March 2020. Moreover, during the first quarter of calendar year 2020, some of our third-party business partners in China, in particular domestic logistics and transport services providers, experienced temporary shut-downs or worker absenteeism and were unable to meet their obligations to us. This has had an adverse impact on our ability to promptly provide our customers with the products they purchased, which, in turn, has affected our financial performance. Although domestic logistics and transport services providers have recovered and resumed their ordinary course of business, there has been and may continue to be a significant increase in international freight costs in light of the COVID-19 pandemic due to tight supply chain capacity, which has had and may continue to have an impact on our fulfillment expenses. Furthermore, we have experienced and

expect to continue to experience disruptions to our supply chains if our brand partners, especially international brand partners based in the United States and Europe, are severely impacted by the COVID-19 pandemic or government-imposed containment measures. If we are unable to procure products from our major brand partners when required, our operations, financial condition and results of operations may be adversely impacted in the foreseeable future and such impacts may be material. If we choose to increase the levels of inventory we hold, when possible, to minimize the risk of experiencing product shortages, we may be exposed to increased inventory risk due to accumulated excess inventory, which may have an adverse impact on our results of operations and financial condition. See “—If we fail to effectively manage our inventory, our reputation, results of operations and financial condition may be materially and adversely affected.” Additionally, our ability to enter into agreements with new brand partners has been impacted by pandemic related restrictions on business travels, causing a decrease in the number of brand partners, which could significantly reduce our revenues. If we fail to find alternative brand partners or otherwise grow our brand partner base, our results of operations may be materially and adversely affected. We also modified our business practices in response to the COVID-19 pandemic. We have started to provide technology solutions including e-commerce business solutions, digital marketing services and e-commerce third-party operation management services to our brand partners and terminated business relationships with some of our then existing brand partners under which we were subject to less favorable terms. However, the impact of our new initiatives in response to COVID-19 is uncertain and we may be subject to additional risks in this regard.

We are currently unable to predict with certainty the duration and severity of the COVID-19 pandemic, and its ultimate impact on our business, financial condition, liquidity and results of operations, as these depend on rapidly evolving and uncertain developments and factors that are beyond our control. Such factors include the speed of the contagion, the ultimate effect of the various containment measures imposed, the development of effective medical treatment solutions, financial and market reactions to the foregoing and general consumer sentiment. COVID-19-related disruptions have had an adverse impact on our results of operations in 2020. Specifically, we experienced a 0.6% decrease in product sales revenues from US\$302.1 million in 2019 to US\$300.2 million in 2020 and an 82.6% decrease in service revenues from US\$27.4 million in 2019 to US\$4.8 million in 2020. The COVID-19 outbreak may continue to have an adverse impact on our results of operations in the foreseeable future.

Each of the following risk factors should be read in the context of the foregoing uncertain trends, events and developments as they affect us, whether or not we make specific reference to the COVID-19 pandemic, given the potentially materially adverse effect of the pandemic on our business.

***If the e-commerce market or the health and wellness industry in China does not grow, or grows more slowly than we expect, the demand for our products and solutions could be materially and adversely affected.***

Continued demand for our products and solutions depends on whether the e-commerce market and the health and wellness industry in China will continue to grow. The long-term viability and prospects of the online retail business in China remain relatively untested. Our future results of operations will depend on numerous factors affecting the development of the e-commerce industry in China, which may be beyond our control, including:

- the penetration rates of Internet services, personal computers and mobile connectivity;
- the trust and confidence level of e-commerce consumers in China, as well as changes in consumers’ demographics and preferences;
- whether alternative retail channels or business models that better address the needs and preferences of consumers emerge in China; and
- the development of fulfillment, payment and other ancillary services associated with online purchasing.

Additionally, our future results of operations will depend on numerous factors affecting the development of the health and wellness industry in China, including:

- changes in the spending power of Chinese consumers;
- the prevalence of health issues and chronic diseases among Chinese consumers;
- the impact of the COVID-19 pandemic; and
- the ongoing health and wellness market deficiencies and consumer mistrust of incumbent health and wellness product and service providers.

If consumer utilization of e-commerce channels in China does not grow, or grows more slowly than we expect, demand for our products and services would be adversely affected, our revenues would be negatively impacted and our ability to pursue our growth strategies would be compromised.

***We may not be able to effectively manage the expansion of our business or optimally implement our business strategies.***

To realize our mission of providing comprehensive health and wellness solutions to our consumers, we have implemented expansion strategy and have experienced rapid growth in recent years. However, there is no assurance that we will be able to maintain our historical growth rates in future periods. Our revenue growth may slow or even decline for many reasons, including competition, and industry and economy conditions. We have continued to widen our relationships with existing brand partners to include more offerings, procuring new brand partners with different products, improving our logistic and fulfillment capabilities to support our expanded offering and growing through acquisitions of complementary businesses. We have also continued to strengthen our multi-channel value proposition by leveraging new ways to market and distribute products, including social media platforms, short video platforms and offline promotions. Additionally, we are exploring new business opportunities in providing technology solutions including e-commerce business solutions, digital marketing services and e-commerce third-party operation management services. In particular, we plan to put more emphasis on offering brand partners with technology-centric services to add value and therefore reinforce our relationship. To execute our business initiatives and promote service-oriented business model, we need to upgrade our technology infrastructure and recruit and train more technical staff, which will lead to increased costs and expenses. This expansion has contributed to a heightened level of complexity of our business, in terms of both the type and scale of our operations, which may place a significant strain on our operational, financial and technical resources and increase demands on our management and employees. We cannot assure you that we will be able to continue to manage our growth, improve our profitability or execute our strategies effectively, and any failure to do so may materially and adversely affect our business and prospects.

We are also continuously executing a number of growth initiatives, strategies and operating plans designed to enhance our business, including launching various new services, such as offering strategy, marketing, products, digitalization, consumer insights, supply chain and SaaS solutions to assist our business partners deliver customized products and services to consumers. The anticipated benefits from these efforts are based on assumptions that may prove to be inaccurate. Moreover, we may not be able to successfully complete these growth initiatives, strategies and operating plans and realize all of the benefits that we expect to achieve, such as expanding our product and service offerings, or it may be more costly to do so than we anticipate. In addition, profitability, if any, in the new areas that we expand into may be lower than in our existing business, and we may not be successful enough in these newer areas to recoup our investments in them. If any of these circumstances were to occur, our business, financial condition and results of operations may be materially and adversely affected.

***If we fail to anticipate evolving consumer preferences for health and wellness products and/or fail to cater effectively to consumer demands, our ability to attract and retain customers may be materially and adversely affected.***

Our ability to attract and retain our consumers depends largely on our ability to offer health and wellness products that they find attractive. The success of our business relies on our ability to anticipate changes in consumer preferences, demographic shifts in our consumer base and broader evolving trends in the industry, and to respond to such changes in a timely and cost-effective manner. If we rely on misleading industry intelligence or consistently misinterpret the consumer data we collect, we may fail to cater to the preferences of our consumers or fail to continue to retain our consumers. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

***Our success depends on our ability to maintain relationships with existing brand partners and to develop relationships with new brand partners.***

Our success is closely tied to our relationships with our existing brand partners, who supply the products that we sell through various platforms. We also identify and target potential new brand partners whose products complement our established inventory or that represent new opportunities for us to meet consumer demand. Many of our brand partners deal with us on a non-exclusive basis, and a number of our brand partner relationships are relatively recent, having been established over the last three to four years. Because of these factors, we face, and expect to continue to face, constant and intense competition for the business of our brand partners from other Chinese distributors in the health and wellness market. Our relationships with our brand partners may weaken and we may lose our market share if our competitors offer their services to them. The e-commerce market is characterized by rapid technological developments and frequent changes in regulation, specifications and other requirements for how our brand partners should sell their merchandise through particular channels. This could negatively affect our ability to retain existing brand partners and attract new brand partners, our future financial and operating results, and our potential for growth. If we are unable to maintain these relationships or enter into advantageous new arrangements through our targeted approaches to specific potential brand partners, our ability to attract new brand partners may decrease.

In addition, a small number of brand partners contribute a significant portion of our total revenues. For example, in 2020, the single largest brand partner in terms of the revenue contribution of its products accounted for 14% of our total net revenues. In the same period, the ten largest brand partners in terms of the revenue contribution of their products, in the aggregate, accounted for 80% of our total net revenues. Moreover, three of the ten largest brand partners in terms of revenue contribution in 2020 are under the common control of a global food and beverage company. While our relationships with these three brand partners were developed independently and they are each managed by a dedicated operations team, we cannot assure you that failure to maintain a satisfactory relationship with one of these brand partners in the future will not adversely affect our reputation with the other brand partners under common control. Furthermore, the loss of one or more of our largest brand partners may result in a material and adverse effect on our financial condition and results of operation.

In such a rapidly changing market, the needs of our brand partners are also constantly evolving to keep pace with consumer demands. If we fail to respond to the evolving needs of our brand partners, our continuing relationships with existing brand partners, our reputation and the demand for our services may be adversely affected. This may have a material and adverse impact on our business, financial position and results of operations.

***We may be unable to compete effectively against stronger and better-resourced e-commerce companies, offline competitors or new entrants to the health and wellness market, and we may lose market share as a result.***

The health and wellness market is intensely competitive in China. We may not be able to command the same price for our services and solutions or we may face a decrease in our market share, which may affect our future financial and operating results, and our ability to grow our business. In addition, competition may intensify if our competitors increase their resources and product range and if established companies in other market segments or geographic markets expand into our market segments or geographic markets. If we cannot compete successfully, our business, financial condition and operating results could be materially and adversely affected.

We face competition in a number of areas. We compete to attract, engage and retain consumers based on the variety, value and personalization of the products and services we offer, and overall user experience and convenience. We compete to attract and retain brand partners based on our scale of operation and the capability of engaging consumers, the sales and growth solutions offered to brand partners as a result of our consumer and industry analysis and the efficiency of our logistics infrastructure in facilitating the delivery of our brand partners' products to consumers. We also compete for experienced and effective talent and personnel, who serve critical functions in the development of our products and our ecosystem.

Our ability to compete effectively depends on a number of factors, some of which may be beyond our control, including brand partners choosing to develop in-house e-commerce platforms or infrastructure, offline competitors with a broader product range, e-commerce channels deciding to directly compete with us and consolidations within the Chinese health and wellness industry that may result in stronger competitors.

If we are not able to compete effectively, we may lose market share and face a decrease in consumer engagement and sales, which could materially and adversely affect our business, financial condition and results of operations as well as our reputation.

Some of our current or future competitors may have, or may develop, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than us. Any smaller companies or potential new entrants to the Chinese health and wellness market may be acquired by, receive investment from or enter into strategic relationships with well-established and well-financed companies or investors which may 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 technology and infrastructure systems than us. We cannot be certain that we will be able to compete successfully against current or future competitors, and competitive pressures may have a material adverse effect on our business, financial condition and results of operations.

***We may need additional capital but may not be able to obtain it on acceptable terms, or at all.***

In order for us to continue to grow, we need significant amount of working capital to fund our inventory. In addition, we may require additional capital in case of operating losses as well as any investments or acquisitions we may decide to pursue. For example, net cash used in operating activities reached US\$40.8 million in 2018 and US\$14.2 million in 2019. While we recorded net cash provided by operating activities of US\$21.6 million in 2020, we may continue to incur operating cash outflows in the future due to the expansion of our business and the corresponding increase in inventory. See "—If we fail to effectively manage our inventory, our reputation, results of operations and financial condition may be materially and adversely affected."

If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities, including convertible notes, or obtain new or expanded credit facilities.

Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and the PRC governmental regulations over foreign investment and the health and wellness industry. Any debt financing, if available, may involve restrictive covenants and could restrict our operational flexibility and reduce our profitability. In addition, incurring indebtedness would subject us to increased debt service obligations. There can be no assurance that financing would be available in a timely manner or in amounts or on terms acceptable to us, or at all, particularly in light of the ongoing COVID-19 pandemic. Any such failure could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to the interests of our existing shareholders.

If we are unable to obtain increased financing, any resultant cash flow shortage may materially affect our ability to procure products from our brand partners and meet our financial obligations, which may damage our reputation and brand partner relationships. Such damage to our reputation or relationships would have a material and adverse effect on our business, financial condition and results of operations.

***We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate or retain our staff could hinder our ability to maintain and grow our business.***

Our future success depends substantially upon the continued service of our key executives and other key employees, particularly our co-founders, Ms. Wang and Mr. Zeng. If we lose the services of any member of management or key personnel, we may not be able to locate suitable or qualified replacements, and we may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth.

The size and scope of our ecosystem also require us to hire and retain a wide range of experienced and capable personnel who can adapt to a dynamic, competitive and challenging business environment. We will need to continue to attract and retain experienced and capable personnel at all levels as we expand our business and operations. Competition for such talent is intense, and the availability of suitable and qualified candidates in the PRC is limited. This high level of competition could compel us to offer higher compensation and other benefits to attract and retain the right candidate. Even if we were to offer higher compensation and other benefits, there is no assurance that these individuals will choose to join us or continue to work for us. Any failure to attract or retain key management and personnel could severely disrupt our business and growth.

***We are subject to evolving regulatory requirements, non-compliance with which, or changes in which, may materially and adversely affect our business and prospects.***

As a provider of an e-commerce platform for health and wellness products, we are subject to legal and regulatory requirements applicable to multiple industries in the PRC. These industries primarily include the Internet and health and wellness industries. We have been subject to penalties by PRC regulatory authorities in the past due to our failure to comply with their requirements, including those in relation to pricing.

The regulations to which we are subject in this area are new and evolving. As a result, the interpretation of these laws and their enforcement is often uncertain. Predicting the application of these laws can be difficult, and unexpected outcomes in the interpretation and enforcement of the applicable regulations may have an adverse impact on our business and operations. Additionally, any future changes in regulation may render our business non-compliant or require changes to our business practices or licensing arrangements to ensure compliance. These changes may involve significant costs, which in turn may adversely affect our business and prospects.

Various regulatory authorities of the PRC government regulate value-added telecommunications services, food business, pharmaceutical operations and services, online drug and medical device operations and online trading and e-commerce. Violations of regulations may lead to the imposition of significant penalties which may affect our business, operations, reputation and financial prospects. In respect of the healthcare industry, in particular, any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

As we introduce new products and services to our customers, we may be required to comply with additional laws and regulations that are yet to be determined. To comply with such additional laws and regulations, we may be required to obtain necessary certificates, licenses or permits, as well as expend additional resources to monitor regulatory and policy developments. Our

failure to adequately comply with such additional laws and regulations may delay, or possibly prevent, some of our products or services from being offered to users, which may have a material adverse effect on our business, financial condition and results of operations.

Additionally, the PRC has enacted laws and regulations governing Internet access and the distribution of products, services, news, information, audio-video programs and other content through the Internet. 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 the information disseminated through our marketplaces and websites were 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 materially and adversely affect our business, financial condition and results of operations.

***We may be subject to claims under consumer protection laws, including health and safety claims and product liability claims, if property or people are harmed by the products sold on our platform.***

Due to several high-profile consumer complaint incidents that have occurred in China in recent years and attendant media and advocacy group attention, there has been increased governmental focus in the PRC on consumer protection. Operators of e-commerce marketplaces and platforms are subject to certain provisions of consumer protection laws even where such operator is not the seller of the product or service purchased by the consumer. In addition, if we do not take appropriate remedial action against sellers or service providers for actions they engage in that we know, or should have known, would infringe upon the rights and interests of consumers, we may be held jointly and severally liable with the seller or service provider for such infringement.

Moreover, applicable PRC consumer protection laws hold that trading platforms will be held liable for failing to meet any undertakings such platforms make to consumers with regard to products listed on their websites. Furthermore, we are required to report to the State Administration for Market Regulation, or the SAMR, or its local branches any violation of applicable laws, regulations or SAMR rules by sellers or service providers, such as sales of goods without proper license or authorization, and to take appropriate remedial measures, including ceasing to provide services to such sellers or service providers. If claims are brought against us under any of these laws, we could be subject to damages and reputational damage as well as action by regulators, which could have a material adverse effect on our business, financial condition and results of operations.

We do not maintain product liability insurance for products and services transacted on our platform, and any other insurance policies may not cover us, adequately or at all, for any liability we may incur. Even unsuccessful claims could result in the expenditure of funds and management time and resources and could materially reduce our net income and profitability.

***If counterfeit products are distributed by us, our reputation and financial results could be materially and adversely affected.***

We source health and wellness products from reputable brand partners. However, their measures of safeguarding against counterfeit products may not be adequate. In addition, we engage third-party warehousing and logistics service providers and third-party couriers to conduct product fulfillment, and we may not be able to detect and prevent all potential instances of misconduct or negligence committed by them or by our employees involved in the fulfillment process. If counterfeit products are distributed by us, we may suffer reputational damage. If we are deemed to have participated or assisted in infringement activities associated with counterfeit products, we may be subject to sanctions under applicable laws and regulations, which may include injunctions to cease infringing activities, rectification, compensation, administrative penalties and even criminal liability, depending on the gravity of such misconduct. Furthermore, counterfeit products may be defective or inferior in quality as compared to authentic products and may pose safety risks to consumers. If consumers are injured by counterfeit products distributed by us, we may be subject to lawsuits, severe administrative penalties and criminal liability. See “—We may be subject to claims under consumer protection laws, including health and safety claims and product liability claims, if property or people are harmed by the products sold on our platform.”

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

In order to operate our business effectively and meet our consumers' demands and expectations, we must maintain a certain level of inventory to ensure prompt deliveries when required. We determine the levels of inventory we hold on the basis of our experience, assessment of consumer demand in a certain period of time and the lead time required to have the inventory in our warehouse.



We forecast consumer demand by relying on a number of factors, including:

- the purchase history of consumers;
- performance metrics from our customers, especially third-party e-commerce channels;
- market intelligence, including intelligence on product innovation and introduction;
- changes in consumer spending patterns; and
- event-driven factors, such as cyclical demand for preventative products.

We use such metrics to forecast consumer demand more accurately and thereby optimize our inventory management in terms of product portfolio and volume.

However, forecasts are inherently uncertain, and demand for products can change significantly between the inventory order date and the projected sale date. In addition, the acquisition of certain types of inventory may require significant lead time and prepayment and they may not be returnable. Moreover, while we are in the process of negotiating with new suppliers to have them repurchase unsold items upon termination of agreements, we normally do not have the right to return the unsold items to our suppliers, save for in a limited range of circumstances, such as in the case of quality defects, as set out in our supply agreements.

If we overestimate demand for our products, we may be exposed to increased inventory risks due to accumulated excess inventory. Prolonged periods of excess inventory may lead to pressures on our warehousing system and fulfillment capabilities, increases in inventory holding costs and the risk of inventory obsolescence. In addition, if we fail to manage our inventory effectively, we may experience a decline in inventory values and significant inventory write-downs or write-offs due to product expiration. Moreover, we may be required to lower sale prices in order to reduce inventory levels, which may lead to lower gross margins. Conversely, if we underestimate demand for our products, or if our brand partners fail to supply quality products in a timely manner, we may experience inventory shortages, which might result in lost revenues and diminished consumer satisfaction, which could harm our business and reputation.

Any of the above may materially and adversely affect our results of operations and financial condition. As we plan to continue to expand our product offerings, we may continue to face challenges in effectively managing our inventory.

***Any interruption in our product inventory or fulfillment operations may have an adverse impact on our business.***

Our ability to process and fulfill orders accurately depends on the efficient operation of our fulfillment and logistics network and our ability to accurately take orders through the various platforms on which we distribute products and our ability to fulfill such orders. Our fulfillment and logistics infrastructure, including our warehousing facilities and transportation services, may be vulnerable to damage or interruption caused by fire, flood, power outage, telecommunications failure, break-ins, earthquake, human error, transportation disruptions and other events. If any of our fulfillment and logistics infrastructures were to be rendered incapable of operations, then we may be unable to fulfill any orders. We do not carry business interruption insurance, and the occurrence of any of the foregoing risks could have a material adverse effect on our business, prospects, financial condition and results of operations.

As a result of the COVID-19 pandemic, our third-party couriers have been unable to consistently fulfill online orders to our customers in a timely manner. We also experienced delays in getting products from our suppliers and incurred higher shipping costs in inbound and outbound shipments, all of which have had an adverse impact on our business. Although domestic logistics and transport services providers have recovered and resumed their ordinary course of business, there has been and may continue to be a significant increase in international freight costs in light of the COVID-19 pandemic, which has had and may continue to have an impact on our fulfillment expenses. See “—Our company’s business, financial position, liquidity and results of operations have been, and are likely to continue to be, materially and adversely affected by the COVID-19 pandemic.”

***Our results of operations are subject to fluctuations due to the seasonality of our business and other events.***

We have experienced and expect to continue to experience seasonal fluctuations in our financial performance. These seasonal patterns have caused and will continue to cause fluctuations in our operating results. Historically, we have recorded stronger performance in the fourth quarter, primarily because consumers increase their purchases during e-commerce festivals in China, such as the periods around Singles Day (which is an online sales promotion event that falls on November 11 of each year) and Double Twelves (which is another online sales promotion event that falls on December 12 of each year). In addition, we generally experience

a lower level of sales activity in the first quarter due to the Lunar New Year public holiday, during which the volumes of online purchases and logistical operations drop significantly due to vacations and business closures.

In anticipation of increased sales activity prior to shopping festivals, we increase our inventory levels and incur additional expenses such as procuring additional working capital and increasing the size of our workforce on a temporary basis. If our seasonal sales patterns become more pronounced in the future, this may strain our personnel, customer service operations, fulfillment operations and shipment activities and may cause a shortfall in revenues compared to expenses in a given period. As a result, our financial results may be materially and adversely affected. In addition to increasing our own inventory levels, we also rely on our brand partners to increase their inventory levels to match projected seasonal demand. If we and our brand partners do not increase inventory levels for popular products in sufficient amounts or if we are unable to restock popular products from our brand partners in a timely manner, we may fail to fulfill customer demand. This may harm our reputation and damage the trust that consumers have in our business, which is a key part of our business model. As a result, we may experience a material and adverse effect on our financial conditions and results of operations.

***Our dependence on a small number of e-commerce channels could materially and adversely affect our business or results of operations.***

We depend on a small number of e-commerce channels to sell products to consumers. As a result, we derive a substantial portion of our revenue from activity on these channels. For example, in 2018, 2019 and 2020, sales on Alibaba's Tmall platform contributed approximately 34%, 21% and 20% of our total net revenues, respectively.

If the sales on e-commerce channels in China do not grow or grow more slowly than we expect, demand for our products would be adversely affected, our revenues would be negatively impacted, and our ability to pursue our growth strategy would be compromised. Moreover, if the e-commerce channels that we rely on are not successful in attracting consumers or their reputations are adversely affected for any reason, we may experience reduced demand for our products.

Our business may be harmed if the e-commerce channels we rely upon decide to make significant changes to their respective business models, policies, systems or plans. Currently, large e-commerce channels influence to a certain extent terms that affect our profitability and financial condition, including the return policies we offer and the sharing of marketing expenses and payables or receivables between the e-commerce channels and us. We may not be able to negotiate such policies or agreements on terms most favorable to us in the future.

In addition, we cannot guarantee that we will be able to access such e-commerce channels in the long term. If we fail to maintain our relationships with such channels, they may decide at any time and for any reason to significantly limit our ability to integrate our solutions with their platforms. Given that online retail in China is dominated by a few large e-commerce channels, we may not be able to adapt or build new relationships on terms favorable to us with any other emerging channels.

Any of the above may adversely affect our revenue, financial condition and results of operations.

***We use third-party couriers to deliver orders. If these couriers fail to provide reliable delivery services on commercially acceptable terms, our business and reputation may be materially and adversely affected.***

We maintain cooperation arrangements with third-party couriers to deliver our products to our customers. We rely on a select number of third-party delivery services, for example Cainiao, the primary deliverer of cross-border sales through the Tmall platform. In 2018, 2019 and 2020, Cainiao was paid approximately 39%, 32% and 29%, respectively, of our third-party delivery fees, and the goods delivered by Cainiao accounted for approximately 19%, 11% and 13%, respectively, of our revenue in the same periods. As such, we may face adverse consequences if there are interruptions to, or failures in, these third parties' delivery services. Such interruptions or failures could prevent the timely or proper delivery of our products to consumers, eroding consumer confidence and reducing repeat orders. 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, including as a result of public health emergencies, or labor unrest. While we may claim compensation for disruptions under our standard agreements with third-party delivery services, such claims are subject to a complicated review process and we cannot provide assurance that any compensation payments would make up for the lost consumer goodwill. Also, any significant increase in delivery fees charged by these third parties may result in a significant increase in our online distribution expenses. If we fail to find other reliable third-party couriers on commercially acceptable terms, our profitability may be harmed.

In addition, if our third-party couriers fail to comply with applicable PRC rules and regulations, 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. If our products are not delivered in proper condition or on a timely basis, our reputation could suffer and we may experience a material adverse effect on our financial condition and results of operations.

***We have adopted favorable return policies with certain customers and a higher-than-expected rate of returns could materially and adversely affect our results of operations and financial condition.***

In certain instances, we sell the products of our brand partners to third-party e-commerce platforms, which in turn sell those products to consumers. We have adopted contractual product return policies with certain of these third-party e-commerce platforms. These return policies are generally favorable to the third-party e-commerce platforms, and provide in certain cases that products may be returned in unlimited quantities and without cause, albeit subject to a limited return period. If we experience a higher-than-expected rate of returns from these third-party e-commerce platforms, this may result in wastage, overstock and monetary loss, which may materially and adversely affect our financial condition and results of operations.

In addition, we may from time to time be required to amend our existing return policies or implement new return policies pursuant to changes in applicable laws and regulations, which may lead to a larger group of customers being able to take advantage of our return policies, potentially resulting in increased costs. If our return policy is misused, we may experience significantly increased costs, which may materially and adversely affect our financial condition and results of operations. If we seek to set limits on such return policies in order to reduce costs, the reaction from our customers may be negative, which may materially and adversely affect our reputation and results of operations.

***Any damage to our reputation, including negative publicity against us or our brand partners, may materially and adversely affect our business operations and prospects.***

We have cultivated a reputation of trustworthiness and excellence among our brand partners and our consumers. We believe that our reputation is a key reason for consumers to make purchases, and for brand partners who choose us to distribute their products and provide them with market insights and strategies. As a result, we depend on our reputation for the continued success of our business operations and for generating revenue. However, we cannot be certain that we will be able to maintain our positive reputation in the future. Our reputation may be materially and adversely affected by a number of factors, many of which are beyond our control, including:

- negative developments or events relating to our proprietary products or the products of our brand partners which are sold on our platform, or which we provide to third-party e-commerce platforms, including with respect to their efficacy or side effects;
- lawsuits and regulatory investigations against us or otherwise relating to products associated with us or our industry in general;
- improper or illegal conduct by our employees or brand partners that is not authorized by us; and
- adverse publicity associated with us, our products or our industry, whether founded or unfounded.

Any damage to our reputation as a result of these or other factors may cause our products to be perceived unfavorably by consumers, existing or potential brand partners or the Chinese health and wellness market in general, which may materially and adversely affect our reputation, results of operations and financial position.

***If our brand partners develop sophisticated knowledge of the Chinese health and wellness market, or increase their in-house e-commerce capabilities, demand for our solutions and services may be materially and adversely affected.***

Our brand partners value our solutions and services because of our ability to assist with marketing their products to the Chinese health and wellness market. This ability is founded on our extensive experience in, and local knowledge of, the Chinese health and wellness market, and our technical proficiency in connecting our brand partners to end-consumers in China. If our brand partners significantly develop their local expertise and market knowledge, or choose to sell their products directly through third-party e-commerce platforms, our solutions and services may become less important or attractive to our brand partners, and demand for our solutions and services may decline. This may cause a decrease in customer retention and revenue, materially and adversely affecting our business, financial condition and results of operations.

***We may be liable for any false or misleading statements or representations made by the healthcare experts on our platforms.***

We may be held liable for any false or misleading statements or representations made by the healthcare experts on our platforms. When these healthcare experts publish health management plans, respond to consumer inquiries and make health and wellness recommendations, they may make false or misleading statements or representations in relation to the suitability, effectiveness, use or potential side effects of such plans or products. These healthcare experts may also be negligent in their observations or fail to specify that their recommendation is general in nature and may not apply to the circumstances of particular consumers. We may not always have appropriate disclaimers in place on our platforms.

We may be subject to legal proceedings and claims from time to time where these statements or representations are found to result in harm to our customers. These claims and legal proceedings may be expensive and time consuming to investigate and defend and may divert resources and management attention from the operation of our business. Although these claims may be unsuccessful, they may harm our reputation and reduce our ability to attract customers and users.

***Changes in international trade policies and international barriers to trade, or the escalation of trade tensions, may have an adverse effect on our business and expansion plans.***

Recent international trade disputes and the uncertainties created by such disputes may disrupt the transnational flow of goods and significantly undermine the stability of the global and Chinese economy, thereby harming our business.

Changes to trade policies, treaties and tariffs in the jurisdictions in which we operate, or are contemplating operating, or the perception that these changes could occur, could adversely affect the financial and economic conditions in such jurisdictions, as well as our international and cross-border operations, our financial condition and results of operations. The U.S. administration has advocated greater restrictions on trade generally, and has imposed and significantly increased tariffs on certain goods imported into the United States, particularly from China. Such trade developments could materially impact our business as certain of our brand partners are based in the United States, and thus may face increased difficulty in sourcing base ingredients for their products, or cost-effectively developing new products with restricted or more expensive base ingredients. As a result, we may face an increase in our operating costs as our suppliers raise their prices to absorb their increased costs, or an inability to meet the demands of the consumers who purchase from us, and a resulting decrease in our profits.

Increases in tariffs and the prolongation of uncertainty surrounding international trade between the United States and China could have an adverse effect on our ability to source products from certain of our United States-based partners, either at an acceptable cost or at all, to sell in China. If the products of our brand partners become subject to increased tariffs or other trade barriers, the resultant increase in cost or difficulty of importation may force us to find alternative providers of comparable products. We cannot be certain that these alternative providers would be acceptable to Chinese consumers, given that the level of trust in the brands that we supply is a primary driver of purchasing decisions made by Chinese consumers. As a result, we may experience a decrease in demand, and a material and adverse effect on our financial condition and results of operations.

Therefore, any escalation in existing trade tensions or the advent of a trade war, or news and rumors of the escalation of a potential trade war, could affect the supply chains of participants within our ecosystem, increase their and our costs and have a material adverse effect on our business, results of operations and, ultimately, the trading price of our ADSs.

***Exchange rate fluctuations may negatively affect our results of operations.***

We source our products from brand partners globally. We purchase these products primarily using U.S. dollars, and these products are ultimately sold to the Chinese domestic market, whose participants primarily make their purchases in Renminbi. There is ordinarily a temporal gap between the point at which we purchase products and the point at which we receive payment for the products sold. As a result, we are subject to the fluctuations of the currency exchange markets, particularly in the value of RMB to the U.S. dollar. If the value of Renminbi declines during the temporal gap relative to the U.S. dollar, we may face a lower profit margin, or in some cases a loss, on the products sold. For example, in 2018 we had an exchange rate loss of US\$306.7 thousand, in 2019 we had an exchange rate loss of US\$393.0 thousand and in 2020 we had an exchange rate gain of US\$979.1 thousand.

In addition, substantially all of our operating expenses are denominated in Renminbi, while our financial assets are denominated in U.S. dollars and a significant portion of our debt is denominated in U.S. dollars. We are a holding company and we rely on dividends paid by our operating subsidiaries in China for our cash needs. Any significant revaluation of the Renminbi may materially reduce any dividends payable on our ADSs in U.S. dollars. To the extent that we need to convert U.S. dollars 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. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for

dividends on our Class A 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 we would receive. As such, currency fluctuations may materially and adversely affect our financial condition and results of operations.

***Any failure to comply with PRC regulations regarding advertising may subject us to civil claims, fines and other legal or administrative sanctions.***

PRC advertising laws and regulations require the content of advertisements to be fair, accurate, not misleading and in full compliance with applicable laws. Pursuant to the *Interim Administrative Measures for the Examination of Advertisements for Drugs, Medical Devices, Health Food and Formula Food for Special Medical Purposes*, promulgated by the SAMR on December 24, 2019, the content of healthcare food advertisements must follow the registration certificate or filing certificate approved by the administration for market regulation or the registered or filed specifications. We have made efforts to ensure our advertisements and related advertising practices are in compliance with applicable regulations. However, we cannot assure you that we have fully complied with the requirements of PRC regulatory authorities or will be able to fully comply with the requirements of PRC regulatory authorities regarding advertising. If we are found in violation of applicable advertising laws and regulations, we may face serious penalties, including fines, revocation of our business licenses and discontinuance of our advertising activities. As a result, we may not be able to publish new advertisements in a timely manner, and our turnover and reputation could be materially affected. Moreover, governmental actions and civil claims may be filed against us for misleading or inaccurate advertising. We may have to spend significant resources in defending against such actions, and these actions may damage our reputation, result in reduced turnover and negatively affect our results of operations.

***We may not be able to conduct our marketing activities effectively, properly or at reasonable costs.***

We conduct a variety of marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products. However, our brand promotion and marketing activities may not be well received and may not result in the levels of sales that we anticipate. Additionally, marketing approaches and tools in the Chinese health and wellness market are continually evolving, which may further require us to experiment with new marketing methods to keep pace with industry developments. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner may materially and adversely affect our financial condition and results of operations.

***We are subject to limitations in promoting our products, which may have an impact on our business operations.***

We are subject to certain limitations in promoting products. The healthcare experts we work with and other relevant parties in the provision of our health and wellness content may have to comply with rules and regulations that restrict the promotion or dissemination of certain healthcare-related information, such as information on the professional healthcare services and practice provided by licensed medical practitioners. Such restrictions may affect our ability to further enhance our brand recognition or secure new business opportunities in the future.

There can be no assurance that our existing practices of monitoring our content dissemination process and publication would continue to be effective and would comply fully with laws and regulations. Should there be any change in the relevant rules and regulations, or change of interpretation thereof, we, the healthcare experts we work with and other relevant third parties may be regarded as breaching the relevant rules and regulations and may be subject to regulatory penalties or disciplinary actions, which may materially and adversely affect our business and reputation.

***Our own information technology systems and infrastructure could fail or be subject to disruption.***

Our platform depends on the efficient and uninterrupted operation of our computer and communications systems. Substantially all of our computer hardware and our cloud computing services are currently located in China. In addition, we retain substantial quantities of data related to transactions, consumer information and other data that enables the operation and management of online stores. Although we have prepared for contingencies through redundancy measures and disaster recovery plans, such preparation may not be sufficient and we do not carry business interruption insurance.

Despite any precautions we take, the occurrence of a natural disaster, such as an earthquake, flood or wildfire, or other unanticipated problems at our facilities in China, including power outages, telecommunications delays or failures, break-ins to our systems or computer viruses, could result in delays or interruptions to our website or other portions of our platform, loss of data and significant business interruption. Any of these events could damage our reputation, significantly disrupt our operations and subject us to liability, which could adversely affect our business, financial condition and results of operations.

Security breaches and attacks against our systems and network, and any potentially resulting breach or failure to otherwise protect confidential and proprietary information could adversely affect our business, reputation, financial condition and results of operations.

***Our business generates and processes a large amount of data, and the improper use or disclosure of such data could harm our reputation as well as have a material adverse effect on our business and prospects.***

Our business collects and processes a large quantity of personal, transaction and behavioral data. We face risks in the handling and securing of these large volumes of data. In particular, we face a number of challenges relating to data from transactions and other activities on our platform, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behavior by our employees;
- addressing concerns related to privacy and sharing, safety, security and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and governmental authorities relating to such data.

Any systems failure or security breach or lapse that results in the release of user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability.

As we expand our operations, we may be subject to additional laws in other jurisdictions where our brand partners, consumers and other participants are located. The laws, rules and regulations of other jurisdictions may impose requirements and penalties that are more stringent than, or conflict with, those under PRC law, compliance with which could require significant resources and costs. Our privacy policies and practices concerning the collection, use and disclosure of user data are located on our websites. Any failure, actual or perceived, by us to comply with our posted privacy policies or with any regulatory requirements or privacy protection-related laws, rules and regulations could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity and require us to change our business practices. Any such occurrence could increase our costs and materially and adversely affect our reputation, financial condition and results of operations.

***If the contents we distribute or the online interaction we offer are deemed by the relevant authorities in the PRC to be in the nature of medical rather than non-medical, we may be subject to additional regulations and incur substantial compliance cost, and our business prospects, results of operations and financial condition may be materially and adversely affected.***

The distribution of medical information and medical advertisements are subject to PRC regulations. Any website operator that provides medical information services must obtain certain licenses and approvals by relevant authorities before engaging in such businesses in the PRC. We believe it is improbable for PRC governmental authorities to deem the contents distributed by us to be medical information or medical advertisements, and we have not been subject to any regulatory authority's inquiries or investigations in connection with the content displayed on our platforms. However, if certain information displayed on the online stores that we operate or otherwise distributed by us is considered medical information or medical advertisement by relevant authorities, it will subject us to additional regulations. As a non-medical health and wellness integrated solution provider, we do not possess the required licenses or approvals. Consequently, if required by relevant authorities, we may need to scale back, rearrange or alter the content or information displayed on our platforms.

In addition, online medical consultation in the PRC requires medical service providers to be associated with approved physical hospitals and such providers to obtain regulatory approvals and licenses. We have not yet acquired or established a hospital, and thus are not licensed to provide online medical consultation. If certain consultation services offered by us are considered online medical consultation by relevant authorities, such services may be suspended until we acquire or establish our own hospital and obtain necessary approvals and licenses.

Therefore, if the contents we distribute or the online interaction we offer is deemed to be in the nature of medical, our business model may be affected, and substantial compliance costs may be incurred. As a result, our business prospects, results of operations and financial condition may be adversely affected.

***Substantial uncertainties exist with respect to the PRC Cyber Security Law and cybersecurity regulations, including any impact they may have on our business operations.***

On November 7, 2016, the PRC enacted its Cyber Security Law, which took effect on June 1, 2017, to establish more stringent requirements applicable to operators of computer networks, especially to operators of networks which involve critical information infrastructure. Because of its exceptional breadth in scope, ambiguous requirements and broadly defined terminology, we are concerned about the law's potential impact on our operations in China, particularly in relation to the safeguarding of user information. The Cyber Security Law contains an overarching framework for regulating Internet security, protection of private and sensitive information, and safeguards for national cyberspace security and provisions for the continued government regulation of the Internet and content available in China. The Cyber Security Law emphasizes requirements for network products, services, operations and information security, as well as monitoring, early detection, emergency response and reporting.

Despite the law having taken effect, there remains a high degree of uncertainty in its interpretation and enforcement, especially in terms of protection of personal information. This uncertainty presents a risk for us due to the large volume of personal data that we collect through our various touchpoints. As it is not clear what the law will require in a given scenario or how these requirements may be interpreted, we cannot assure you that we would be able to comply with such requirements in a timely manner. Failure to comply may lead to fines, orders of rectification, confiscation of illegal gains, revocation of the business permit or license and other government actions, which may materially and adversely affect our business, financial condition and results of operations.

Further, as the legal and regulatory framework for the protection of information in cyberspace in China continues to evolve, we may be required to adjust our business practices or incur additional operating expenses, which may adversely affect our results of operations and financial condition.

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

Our business depends on the reliable performance of the Internet and 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 China. We may not have access to equivalent or sufficient alternative networks in the event of disruptions, failures or other problems with China's Internet infrastructure. As this vital infrastructure is state-owned, we are subject to governmental policy which may disrupt supply, and may have fewer avenues of recourse to remedy any losses caused by disruption pursuant to governmental policy. 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 cost of telecommunications and Internet services rises significantly, or if the telecommunication network in China is disrupted or fails, 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 platform in particular. This could lead to a reduction of consumer activity or a loss of consumers 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 and have a material and adverse effect on our financial condition and results of operations.

***A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business and our financial condition.***

The global macroeconomic environment is facing challenges, including, amongst other things:

- uncertainty regarding the impact of the coronavirus epidemic in China and several major economies around the world;
- ongoing political and economic tensions between the United States and China; and
- the ongoing uncertainty in the wake of the United Kingdom's recent exit from the European Union.

Our business and operations are primarily based in China and substantially all of our revenues are derived directly and indirectly from our operations in China. Accordingly, our financial results have been, and are expected to continue to be, affected by the economy in general and the health and wellness market in China in particular. Although the economy in China has grown significantly in the past decades, it is still facing difficulties and has experienced inconsistent growth in recent years. The COVID-19 pandemic has had, and is expected to continue to have, an adverse impact on general economic conditions in China.

Economic conditions in China are sensitive to the global economic conditions described above, the ultimate duration and impact of the COVID-19 pandemic, changes in domestic economic and political circumstances and the expected or perceived overall economic growth rate in China. Any prolonged slowdown in the global or Chinese economy may have an adverse impact on the levels of disposable income of Chinese consumers, and impede the growth of the rising Chinese middle class. As a result, demand for our products, which is strongly driven by members of the Chinese middle class, may be negatively affected. Such a decrease in demand may have a material and adverse impact on our business, results of operations and financial condition.

***We may be the subject of anti-competitive, harassing or other detrimental conduct by third parties, including complaints to regulatory agencies, negative blog postings, and the public dissemination of malicious assessments of our business that could harm our reputation and cause us to lose customers and revenues and materially and adversely affect the price of our ADSs.***

We may be the target of anti-competitive, harassing or other detrimental conduct by third parties. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, allegations, directly or indirectly against us, may be posted in Internet chat rooms or on blogs or websites by anyone, whether or not associated with us, on an anonymous basis. Consumers value readily available information concerning retailers, manufacturers, and their goods and services and often act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media platforms and devices is virtually immediate, as is its impact. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our financial performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues and adversely affect the price of our ADSs.

***Our business may be materially and adversely affected by adverse news, scandals or other incidents associated with the general health and wellness industry.***

Incidents that inspire doubt as to the quality or safety of health and wellness products manufactured, distributed or sold by other participants in the general health and wellness industry in China or around the world, particularly those who primarily operate in the e-commerce space, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the health and wellness industry in general, even if such parties or incidents have no relation to us, our management, our employees, our brand partners, our platform or the third-party e-commerce websites through which we also market products. There may also be a decrease in consumer demand for healthcare-related products if these negative incidents diminish the trust of consumers in the Chinese health and wellness market. Such negative publicity, and any resultant decrease in demand for our products and services, may adversely affect our reputation and business operations. In addition, incidents not related to product quality or safety, or other negative publicity or scandals implicating us or our employees, regardless of merit, may also have an adverse impact on our reputation, financial condition and results of operations.

***We may not be able to protect our intellectual property rights.***

We rely on a combination of trademark, fair trade practice, patent, copyright and trade secret protection laws in the PRC and other jurisdictions in which we hold intellectual property rights, as well as confidentiality procedures and contractual provisions with employees, suppliers and third parties, to protect our intellectual property rights.

Intellectual property protection may not be sufficient in the PRC or in the other jurisdictions in which we hold intellectual property. Confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in the PRC or elsewhere. In addition, policing any unauthorized use of our intellectual property is difficult, time-consuming and costly, and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets



may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

***We may be accused of infringing intellectual property rights of third parties and content restrictions of relevant laws.***

Third parties may claim that the technology used in the operation of our platforms infringes upon their intellectual property rights. Although we have not previously faced material litigation involving direct claims of infringement by us, the possibility of intellectual property claims against us increases as we expand. Such claims, whether meritorious or not, may result in injunctions against us, payment of damages and expenditure of significant financial and management resources. If we are found to have infringed the intellectual property rights of third parties in the future, we may need to obtain licenses to continue to operate our platforms and such licenses may not be available on terms acceptable to us or at all. These risks are amplified by the increase in the number of third parties whose sole or primary business is to assert such claims.

***We may from time to time become party to litigation, other legal or administrative disputes and proceedings that may materially and adversely affect us.***

In the course of our ordinary business operations, we may become a party to litigation, legal proceedings, claims, disputes or arbitration proceedings from time to time. For example, in March 2016, we entered into a cooperation framework agreement to establish a joint venture with Shanghai Heng Shou Tang Health Food Co. Ltd., Shanghai Heng Shou Tang Pharmaceutical Co., Ltd. and Mr. Wei Song, or our joint venture partners. As part of the agreement, Shanghai Heng Shou Tang Health Food Co. Ltd. and Shanghai Heng Shou Tang Pharmaceutical Co., Ltd. agreed to contribute their ownership in a number of trademarks to the joint venture. However, only a portion of such trademarks were transferred to us. In October 2018, we filed a civil claim against the joint venture partners in the Shanghai Xuhui People's Court to enforce the transfer of the remaining trademarks, claim damages in the amount of RMB7.19 million (US\$1.05 million) and request that Shanghai Heng Shou Tang Health Food Co. Ltd. and Shanghai Heng Shou Tang Pharmaceutical Co., Ltd. be enjoined from using the brand name "Heng Shou Tang" in all categories. In January 2019, the joint venture partners filed a counterclaim to rescind the agreement and allege damages in the amount of RMB3.25 million (US\$472.7 thousand). In July 2019, the Shanghai Xuhui People's Court ruled that we shall pay damages in the amount of RMB3.25 million (US\$472.7 thousand) to the joint venture partners for breaching our contractual obligation to contribute capital to our joint venture, and that the joint venture partners shall continue to perform their contractual obligations by transferring the remaining trademarks to the joint venture and cease to use the brand name "Heng Shou Tang" in all categories. Both we and our joint venture partners filed appeals with the Shanghai First Intermediate People's Court. In November 2019, the Shanghai First Intermediate People's Court delivered its judgment, which provides, amongst other matters, that we shall not pay damages to our joint venture partners and our joint venture partners shall continue to perform their contractual obligations by transferring the remaining trademarks to our joint venture.

Were any proceedings, claims, disputes or arbitration to arise, these may distract our senior management's attention and consume our time and other resources. In addition, even if we ultimately succeed in such proceedings, there may be negative publicity created in the course of or surrounding that proceeding, which may materially and adversely affect our reputation. Any settlement or adverse determination may subject us to significant monetary damages or liabilities or suspend or terminate parts of our operations. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

***Future strategic alliances, acquisitions or divestments may have a material adverse effect on our business, financial condition and results of operations.***

We regularly examine a range of corporate opportunities, including acquisitions and divestments, with a view to determining whether such opportunities will enhance our strategic position and financial performance. We plan to expand our business both geographically and in terms of the products and services that we offer to our customers and brand partners. In pursuit of this strategy, we may enter into strategic alliances, including joint ventures or equity investments, with various third parties to further our business purpose from time to time. For example, on July 23, 2020, we entered into an investment agreement with Anze Premium Health and Beauty Pte. Ltd., or Anze, a company involved in the research and development of Chinese herbal medicine-based health and wellness products. We are committed to paying Anze up to US\$30 million, comprising of up to US\$15 million for an equity interest in Anze and up to US\$15 million for zero coupon notes issued by Anze. As of December 31, 2020, we made investment of US\$5.9 million in Anze, representing 11.7% of its equity interest. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by a third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, when appropriate opportunities arise, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business or we may divest certain of our assets. In addition to possible shareholder approval, any proposed acquisition may also require us to obtain approvals and licenses from relevant governmental authorities and to comply with any applicable PRC laws and regulations, which could result in increased delay and costs, and may derail our business strategy if we fail to do so. Any international operations that we absorb as part of any acquisitions may give rise to risks and challenges that could adversely affect our business, such as compliance with international legal and regulatory requirements, further management of fluctuations in currency exchange rates or competition from local incumbents with superior local market knowledge and competitive advantages. Moreover, we cannot be certain that any international expansion efforts can be completed as planned or achieve the intended results, or that any negative results from acquired interests would not affect our business as a whole. Any separation of a divested asset may be complex and costly, and may include separating relevant accounting and data processing systems and management controls, as well as managing relevant relationships with employees, customers, regulators, counterparties, suppliers and other business partners.

Furthermore, past and future acquisitions or divestments and the subsequent integration or separation of new assets and businesses require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have a material adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. Furthermore, our equity investees may generate significant losses, a portion of which will be shared by us in accordance with U.S. GAAP. Any such negative developments could have a material adverse effect on our business, financial condition and results of operations.

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

The Chinese economy has been experiencing increases in inflation and labor costs in recent years. As a result, average wages in China are expected to continue to grow. In addition, various PRC laws and regulations designed to enhance labor protection require us to pay certain statutory employee benefits, including pensions, housing funds, 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. As the interpretation and implementation of these laws and regulations are still evolving, our employment practices may not at all times be deemed to be in compliance with the applicable laws and regulations. If the relevant 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. Furthermore, the Labor Contract Law has reinforced the protection of employees who, under the Labor Contract Law, have the right, among others, to have written employment contracts, to enter into employment contracts with no fixed term under certain circumstances, to receive overtime wages and to terminate or alter terms in labor contracts under certain circumstances. The Labor Contract Law sets forth additional restrictions and increases the costs involved with dismissing employees. There can be no assurance that our employment practices will at all times be in full compliance, and we could be subject to penalties or incur significant liabilities in connection with labor disputes or investigations. We expect that our labor costs, including wages and employee benefits, will 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.

In addition, we may face labor unrest if our employees form the view that we do not pay them adequately or provide adequate working conditions. Such labor unrest may take the form of labor disputes, strike actions or protests against us. This may have an adverse impact on our reputation and cause a loss of public trust in our company. If this were to occur, such loss of trust may materially and adversely affect our financial condition and results of operations.

***If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.***

As a result of the initial public offering, we have become subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 and the rules and regulations of the Nasdaq Stock Market. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. Commencing with our fiscal year ending December 31, 2020, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting in our Form 20-F filing for that year, as required by Section 404 of the Sarbanes-Oxley Act. In addition, when we cease to be an “emerging growth company” as the term is defined in the Jumpstart Our Business Startups Act, our independent registered

public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. This will require that we incur substantial additional professional fees and internal costs to expand our accounting and finance functions and that we expend significant management efforts. We may experience difficulty in meeting these reporting requirements in a timely manner.

In the course of preparing and auditing our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019, we and our former independent registered public accounting firm identified one material weakness in our internal control over financial reporting as of December 31, 2019. In accordance with U.S. GAAP and financial reporting requirements set forth by the SEC, a “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The material weakness, which was first identified in the course of preparing our consolidated financial statements for the year ended December 31, 2018, relates to our lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to formalize key controls over financial reporting and to prepare consolidated financial statements and related disclosures. To remedy this identified material weakness, we have started to undertake steps to strengthen our internal control over financial reporting, including: (i) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel; (ii) establishing effective oversight and clarifying reporting requirements for non-recurring and complex transactions to ensure consolidated financial statements and related disclosures are accurate, complete and in compliance with SEC reporting requirements; and (iii) preparing comprehensive accounting policies, manuals and closing procedures to improve the quality and accuracy of our period-end financial closing process. We also plan to hire more qualified personnel equipped with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function. However, these measures have not been fully implemented, and we concluded that the material weakness in our internal control over financial reporting had not been fully remediated as of December 31, 2020. We will continue to implement measures to remediate the material weakness.

In the course of preparing and auditing our consolidated financial statements for the years ended December 31, 2020, pursuant to new information technology methodology, we and our independent registered public accounting firm identified one additional material weakness in our internal control over financial reporting as of December 31, 2020 relating to the information technology general control, in the areas of system security, and access and separation of duties. Following the identification of the material weakness, we plan to take measures to remedy our information technology general control. For details, see “Item 15. Controls and Procedures—Internal Control Over Financial Reporting.” However, we cannot assure you that all these measures will be sufficient to remediate our material weakness in time, or at all. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness in our internal control over financial reporting. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control weaknesses may have been identified.

In addition, our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

***An occurrence of a natural disaster, pandemic or other events could have a material adverse effect on our business, financial condition and results of operations.***

Our business could be materially and adversely affected by natural disasters, such as earthquakes, wildfires or floods or other events, such as pandemics, wars, acts of terrorism, states of emergency, environmental accidents, power shortages, labor unrest or communication interruptions. The occurrence of such an event in China or elsewhere could materially disrupt our business and operations. Such events could also cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees were suspected of having any of the epidemic illnesses, since this could require us to quarantine some or all of such employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster or other outbreak harms the global or Chinese economy in general. Our operations could also be severely disrupted if our users or other participants were affected by such natural disasters, pandemics or other events.

For example, the COVID-19 pandemic and the associated business uncertainty and volatility has had an adverse impact on our business, financial condition and results of operations. See “—Our company’s business, financial position, liquidity and results of operations have been, and are likely to continue to be, materially and adversely affected by the COVID-19 pandemic.”

***We may not have sufficient insurance coverage.***

We have obtained insurance to cover certain potential risks and liabilities, such as property damage. However, insurance companies in China offer limited business insurance products. As a result, we may not be able to acquire any insurance for certain types of risks such as business liability or service disruption insurance for our operations in China, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations. We do not maintain business interruption insurance or product liability insurance, nor do we maintain key-man life insurance. This could leave us exposed to potential claims and losses. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

***Failure to renew our current leases or locate desirable alternatives for our leased properties could materially and adversely affect our business.***

We lease properties for our offices and the warehousing facilities that we operate. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms, or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations.

In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. Moreover, we may not be able to locate desirable alternative sites for our current leased properties as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

***Certain of our leasehold interests in leased properties have not been registered with the relevant PRC governmental authorities as required by relevant PRC laws and some of our leased properties have title defects.***

We have not registered certain of our lease agreements with the relevant governmental authorities. Under the relevant PRC laws and regulations, we may be required to register and file with the relevant governmental authority executed leases. The failure to register the lease agreements for our leased properties will not affect the validity of these lease agreements, but the competent housing authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging from RMB1,000 (US\$153) to RMB10,000 (US\$1,533) for each non-registered lease if we fail to complete the registration within the prescribed timeframe.

In addition, the actual use of some of our leased properties was inconsistent with the planned use on the property ownership certificates. If relevant governmental authorities require the lessor to correct such inconsistency or request land resumption, we may be unable to continue to lease such properties and as a result we may be forced to relocate the properties and incur additional expenses relating to such relocation. If we fail to find suitable replacement sites in a timely manner or on terms acceptable to us, our business and results of operations could be materially and adversely affected.

***The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.***

Under the PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with relevant PRC market regulation administrative authorities.

In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit a formal application, which will be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in

order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or our affiliated entities or their subsidiaries. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations, and we may not be able to recover our loss due to such misuse or misappropriation if the third party relies on the apparent authority of such employees and acts in good faith.

#### **Risks Related to Our Corporate Structure**

***We are a “controlled company” within the meaning of the Nasdaq corporate governance requirements, which may result in public investors having less protection than they would if we were not a controlled company.***

Our co-founders, Ms. Zoe Wang, who serves as our Chairman and Chief Executive Officer, and Mr. Leo Zeng, who serves as our Chief Operating Officer and Acting Chief Financial Officer, collectively hold 90.8% of the total voting rights in our company as of April 15, 2021, and we are, and expect to continue to be, a “controlled company” as defined under the Nasdaq Stock Market Rules. As a controlled company, we rely on certain exemptions that are available to controlled companies from the Nasdaq corporate governance requirements. Examples of the requirements from which we are exempt include the requirements that:

- the majority of our board of directors consists of independent directors;
- our compensation committee be composed entirely of independent directors; and
- our corporate governance and nominating committee be composed entirely of independent directors.

We are not required to and do not voluntarily meet these requirements. As a result of our use of the “controlled company” exemption, our investors do not have the same protection as they would if we were not a controlled company.

In addition, Ms. Wang and Mr. Zeng have decisive influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. Without the consent of Ms. Wang and Mr. Zeng, we may be prevented from entering into transactions that could be beneficial to us. The interests of Ms. Wang and Mr. Zeng may differ from the interests of our other shareholders.

***If the PRC government finds that the agreements that establish the operating structure for some of our operations in China do not comply with PRC regulations relating to the relevant industries, 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.***

Under current PRC laws and regulations, foreign investors are generally not allowed to own more than 50% of the equity interests in a value-added telecommunications services provider (subject to several exceptions) and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record.

We are a Cayman Islands holding company and our PRC subsidiaries are considered foreign-invested enterprises, directly or indirectly. Accordingly, none of these PRC subsidiaries is eligible to provide value-added telecommunications services in China. We do not currently provide value-added telecommunications services because our sales of goods purchased by us does not constitute providing value-added telecommunications services. Our variable interest entity, Shanghai Yibo, however, holds an ICP license and may develop e-commerce platforms for other trading parties.

We entered into a series of contractual arrangements with Shanghai Yibo and its shareholders, which enable us to:

- exercise effective control over Shanghai Yibo;
- receive substantially all of the economic benefits of Shanghai Yibo; and
- have an exclusive option to purchase all or part of the equity interests and assets in Shanghai Yibo when and to the extent permitted by PRC law.

Because of these contractual arrangements, we are the primary beneficiary of Shanghai Yibo and hence consolidate its financial results as our variable interest entity, or VIE.

In the opinion of Commerce & Finance Law Offices, our PRC counsel, the ownership structure of our variable interest entity, currently does not result in any violation of the applicable PRC laws or regulations currently in effect; and the agreements under the contractual arrangements among us, our variable interest entity and its shareholders, are governed by PRC laws or regulations, and are currently valid, binding and enforceable in accordance with the applicable PRC laws and regulations currently in effect, and do not result in any violation of the applicable PRC laws or regulations currently in effect.

However, our PRC counsel, Commerce & Finance Law Offices, advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC counsel. If the PRC government finds the agreements that establish our Internet-based business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties, including being prohibited from continuing operations.

If we or our VIE is found to be in violation of any existing or future PRC laws or regulations, or fails to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of our VIE;
- shutting down our website, or discontinuing or restricting the conducting of any transactions between certain of our PRC subsidiaries and VIE;
- imposing fines, confiscating the income from our VIE or imposing other requirements with which we or our VIE may not be able to comply;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with our VIE and deregistering the equity pledges of our VIE, which in turn would affect our ability to consolidate, derive economic interests from or exert effective control over our VIE; or
- prohibiting or restricting our use of the proceeds of our initial public offering to finance our business and operations in China.

The imposition of any of these penalties would result in a material adverse effect on our ability to conduct our business. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of our VIE in our consolidated financial statements, if the PRC governmental authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of our VIE or our right to receive substantially all the economic benefits and residual returns from our VIE and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of our VIE in our consolidated financial statements. Either of these results, or any other significant penalties that might be imposed on us in this event, would have an adverse effect on our financial condition and results of operations.

***Any failure by our VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.***

Although substantially all of our revenues are generated by our PRC and Hong Kong subsidiaries, and substantially all of our assets are held by our PRC and Hong Kong subsidiaries, we have relied and expect to continue to rely on contractual arrangements with Shanghai Yibo and its shareholders to hold our Internet Content Provider licenses, or ICP licenses, to enable us to manage value-added telecommunication businesses. These contractual arrangements may not be as effective as direct ownership in providing us with control over our VIE.

If our VIE or its shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages. We cannot assure you such remedies will be effective. For example, if the shareholders of our VIE were to refuse to transfer their equity interest in our VIE to us or our designee when we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our 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 system in the PRC is not as developed as in some other jurisdictions, such as the United States. See “— Risks Related to Doing Business in China—There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a VIE should be interpreted or enforced under PRC law, and as a result it may be difficult to predict how an arbitration panel would view such contractual arrangements. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Additionally, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay.

In the event we are unable to enforce our contractual arrangements, we may not be able to exert effective control over our VIE or to conduct the relevant businesses. As a result, our business, financial condition, results of operations and prospects would be adversely affected.

***The shareholders of our VIE may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.***

The shareholders of our VIE, Ms. Zoe Wang and Mr. Leo Zeng, may have potential conflicts of interest with us. These shareholders may breach, or cause our VIE to breach, or refuse to renew, the existing contractual arrangements we have with them and our VIE, which would have a material adverse effect on our ability to effectively control our VIE and receive substantially all the economic benefits from them. For example, the shareholders may be able to cause our agreements with our VIE to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

***PRC regulations of loans to PRC entities and direct investment in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of our initial public offering to make loans or additional capital contributions to our majority owned subsidiary, Shanghai ECMOHO Health Biotechnology Co. Limited, or ECMOHO Shanghai.***

We may transfer funds to our majority owned subsidiary, Shanghai ECMOHO Health Biotechnology Co. Limited, or ECMOHO Shanghai, or finance ECMOHO Shanghai by means of shareholder loans or capital contributions. Any such loans to ECMOHO Shanghai, which is a foreign-invested enterprise, cannot exceed statutory limits, which is the cross-border financing risk weighted balance calculated based on a special formula or the difference between the registered capital and the total investment amount of such subsidiary, and shall be registered with the State Administration of Foreign Exchange, or the SAFE, or its local counterparts. We may not be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to provide loans or capital contributions to ECMOHO Shanghai in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

SAFE promulgated the Notice on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprise, or SAFE Circular 19, effective in June 2015, which launched a nationwide reform of the administration of the foreign exchange settlement of the capital of Foreign-invested Enterprises, or FIEs, and allows FIEs to convert their foreign currency capital contribution into Renminbi funds at their discretion, but continues to prohibit FIEs from using the Renminbi funds converted from their foreign currency capital contribution for expenditure beyond their business scopes, providing entrusted loans or repaying loans between nonfinancial enterprises. SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Account, or the SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, and also prohibits FIEs from using such Renminbi funds to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of these Circulars could result in severe monetary or other penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to use Renminbi converted from the net proceeds of our initial public offering, which may adversely affect our business, financial condition and results of operations.

On October 23, 2019, the SAFE promulgated the *Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment*, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, since the SAFE Circular 28 is newly promulgated, it is unclear how SAFE and competent banks will carry this out in practice.

***Contractual arrangements in relation to our VIE may be subject to scrutiny by the PRC tax authorities and they may determine that we or our VIE owes additional taxes, which could negatively affect our financial condition and the value of your investment.***

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among ECMOHO Shanghai, Shanghai Yibo and the shareholders of Shanghai Yibo were not entered into on an arm's-length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust Shanghai Yibo's income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by Shanghai Yibo for PRC tax purposes, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose punitive interest on Shanghai Yibo for the adjusted but unpaid taxes at the rate of 5% over the basic RMB lending rate published by the People's Bank of China for a period according to the applicable regulations. Our financial position could be materially and adversely affected if our VIE's tax liabilities increase or if it is required to pay punitive interest.

***Our current corporate structure and business operations may be affected by the newly enacted Foreign Investment Law.***

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which became effective on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Foreign Owned Enterprise Law as the legal basis for foreign investment in the PRC. The Foreign Investment Law stipulates three forms of foreign investment, which do not include contractual arrangements. Notwithstanding the above, the Foreign Investment Law provides that a foreign investment includes foreign investors investing in China through "any other methods" under laws, administrative regulations or provisions prescribed by the State Council. It is possible that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether contractual arrangements will be deemed to be in violation of the foreign investment access requirements and how such arrangements will be treated by relevant PRC authorities. There is no guarantee that the contractual arrangements in relation to our VIE and our business will not be materially and adversely affected in the future due to changes in PRC laws and regulations. If future laws, administrative regulations or provisions prescribed by the State Council mandate further actions by companies with existing contractual arrangements, we may face substantial uncertainties as to the timely completion of such actions. In those cases, we may be required to unwind the contractual arrangements and/or dispose of our VIE, which could have a material and adverse effect on our business, financial condition and result of operations.

#### **Risks Related to Doing Business in China**

***Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.***

Most of our operations are conducted in the PRC, and substantially all of our revenue is sourced from the PRC. Accordingly, our financial condition and results of operations are affected to a significant extent by economic, political and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including the extent 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 by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past four decades, growth has been uneven, both geographically and among various sectors of the economy. In addition, the COVID-19 pandemic has had a severe and negative impact on the Chinese economy. The Chinese economy contracted in the first quarter of calendar year 2020 and economic growth is likely to be weak in the foreseeable future. Any severe or prolonged slowdown in the rate of growth of the Chinese economy may adversely affect our operations in China, our growth strategy and may have a materially adverse impact on our business, financial condition and results of operations.

Various measures implemented by the PRC government to encourage economic growth and guide the allocation of resources may benefit the overall PRC economy, but may also have a negative effect on us. Our financial condition and results of operation



could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, the PRC government has implemented in the past certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our businesses, financial condition and results of operations.

***There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.***

Most of our operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, 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 which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

***We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of healthcare industry and Internet-related businesses, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.***

Our business is subject to governmental supervision and regulation by the relevant PRC governmental authorities, including but not limited to the MOFCOM, the MIIT, the National Medical Products Administration of the PRC, or the NMPA, the NHC and SAMR and their counterparts. Together, these governmental authorities promulgate and enforce regulations that cover many aspects of the operation of food and pharmaceutical businesses, medical and healthcare services and Internet-related businesses, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in such business. The laws and regulations related to medical and healthcare services and Internet-related businesses are evolving rapidly, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Under PRC laws, an entity must obtain the food operation license from SAMR or its counterpart for conducting healthcare-related products wholesale and retail business, the pharmaceutical operation license from the NMPA or its counterpart for conducting pharmaceutical wholesale and retail business, and the value-added telecommunications services operating licenses from the MIIT or its counterpart for either online information services or third-party e-commerce platforms. We have made great efforts to obtain all applicable licenses and permits necessary to our main business. However, the interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the pharmaceutical operation, medical and healthcare services, and Internet-related businesses have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, pharmaceutical operation and Internet-related business industry in China, including our business, we cannot assure you that we have obtained all the permits or licenses required for conducting our business or will be able to maintain our existing licenses or obtain new ones. For example, the address on some of our Food Operation Permits is inconsistent with our actual operating address. If the PRC government considers that we were operating without the proper approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material adverse effect on our business and results of operations.

**Recent joint statement by the SEC and the Public Company Accounting Oversight Board (United States), or the PCAOB, proposed rule changes submitted by Nasdaq, the newly enacted Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to the trading of our ADSs on U.S. stock exchanges.**

On April 21, 2020, SEC Chairman Jay Clayton and PCAOB Chairman William D. Duhnke III, along with other senior SEC staff, released a joint statement highlighting the risks associated with investing in companies based in or have substantial operations in emerging markets including China. The joint statement emphasized the risks associated with lack of access for the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in emerging markets.

On May 18, 2020, Nasdaq filed three proposals with the SEC to (i) apply minimum offering size requirement for companies primarily operating in “Restrictive Market,” (ii) adopt a new requirement relating to the qualification of management or board of director for Restrictive Market companies, and (iii) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company’s auditor.

On June 4, 2020, the U.S. President issued a memorandum ordering the President’s working group on financial markets to submit a report to the President within 60 days of the date of the memorandum that should include recommendations for actions that can be taken by the executive branch and by the SEC or PCAOB to enforce U.S. regulatory requirements on Chinese companies listed on U.S. stock exchanges and their audit firms. However, it remains unclear what further actions, if any, the U.S. executive branch, the SEC, and PCAOB will take to address the problem.

On August 6, 2020, the President’s working group released a report recommending that the SEC take steps to implement the five recommendations outlined in the report. In particular, to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfill its statutory mandate, the President’s working group recommended enhanced listing standards on U.S. stock exchanges. This would require, as a condition to initial and continued exchange listing, PCAOB access to work papers of the principal audit firm for the audit of the listed company. Companies unable to satisfy this standard as a result of governmental restrictions on access to audit work papers and practices in their jurisdiction may satisfy this standard by providing a co-audit from an audit firm with comparable resources and experience where the PCAOB determines it has sufficient access to audit work papers and practices to conduct an appropriate inspection of the co-audit firm. The report permits the new listing standards to provide for a transition period until January 1, 2022 for listed companies, but would apply immediately to new listings once the necessary rulemakings and/or standard-setting are effective.

On August 10, 2020, the SEC announced that the SEC Chairman had directed the SEC staff to prepare proposals in response to the report of the President’s working group, and that the SEC was soliciting public comments and information with respect to the development of these proposals.

On May 20, 2020, the U.S. Senate passed the Holding Foreign Companies Accountable Act, or the Act. The Act was approved by the U.S. House of Representatives on December 2, 2020. On December 18, 2020, the Act was signed into public law by the President of the United States. In essence, the Act requires the SEC to prohibit foreign companies from listing securities on U.S. securities exchanges if a company retains a foreign accounting firm that cannot be inspected by the PCAOB for three consecutive years, beginning in 2021. On March 24, 2021, SEC announced that it had adopted interim final amendments to implement congressionally mandated submission and disclosure requirements of the Act. The interim final amendments will apply to registrants that the SEC identifies as having filed an annual report on Forms 10-K, 20-F, 40-F or N-CSR with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in that jurisdiction.

The enactment of the Act and any additional actions, proceedings, or new rules resulting from these efforts to increase U.S. regulatory access to audit information could cause investors uncertainty for affected issuers and the market price of our ADSs could be adversely affected, and we could be delisted if we and our auditor are unable to meet the PCAOB inspection requirement.

The lack of access to the PCAOB inspection in China prevents the PCAOB from fully evaluating audits and quality control procedures of the auditors based in China. As a result, investors may be deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of these accounting firm’s audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States, pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Our auditor is headquartered in Manhattan, New York, and has been inspected by the PCAOB on a regular basis with the last inspection in June 2018 and an ongoing inspection that started in October 2020. However, the recent developments would add uncertainties to the trading of our ADSs on U.S. stock exchanges, and we cannot assure you whether Nasdaq or regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor's audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach, or experience as it relates to our audit.

***PRC regulations regarding acquisitions impose significant regulatory approval and review requirements, which could make it more difficult for us to pursue growth through acquisitions.***

Under the PRC Anti-Monopoly Law, companies undertaking acquisitions relating to businesses in China must notify MOFCOM in advance of any transaction where the parties' revenues in the China market exceed certain thresholds and the buyer would obtain control of, or decisive influence over, the target, while under the M&A Rules, the approval of MOFCOM must be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire domestic companies affiliated with such PRC enterprises or residents. Applicable PRC laws, rules and regulations also require certain merger and acquisition transactions to be subject to security review. Due to the level of our revenues, our proposed acquisition of control of, or decisive influence over, any company with revenues within China of more than RMB400 million in the year prior to any proposed acquisition would be subject to MOFCOM merger control review. As a result, many of the transactions we may undertake could be subject to MOFCOM merger review. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. In addition, MOFCOM has not accepted antitrust filings for any transaction involving parties that adopt a variable interest entity structure. If MOFCOM's practice remains unchanged, our ability to carry out our investment and acquisition strategy may be materially and adversely affected and there may be significant uncertainty as to whether we will be able to complete large acquisitions in the future in a timely manner or at all.

***PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries' ability to increase their registered capital or distribute profits.***

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or the SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

We have notified substantial beneficial owners of ordinary shares who we know are PRC residents of their filing obligation, and are aware that Ms. Zoe Wang and Mr. Leo Zeng have each completed the necessary registration with the local SAFE branch or qualified banks as required by SAFE Circular 37. However, we may not at all times be aware of the identities of all of our beneficial owners who are PRC residents. To our knowledge, some of our beneficial owners who are PRC residents have not completed the necessary registration as required by SAFE Circular 37. We do not have control over our beneficial owners and cannot assure you that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Furthermore, since SAFE Circular 37 was recently promulgated and it is unclear how this regulation, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant PRC governmental authorities, we cannot predict how these regulations will affect our business operations or future strategy. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

***Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.***

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. Our directors, executive officers and other employees who are PRC citizens or who have resided in the PRC for a continuous period of not less than one year and who have been granted restricted shares, RSUs or options may follow SAFE Circular 37 to apply for the foreign exchange registration before our company becomes an overseas listed company. We and our directors, executive officers and other employees who are PRC citizens or who have resided in the PRC for a continuous period of not less than one year and who have been granted restricted shares, RSUs or options will be subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit their ability to make payment under our equity incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly foreign-owned enterprises in China and limit our wholly foreign-owned enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under PRC law.

In addition, the State Administration for Taxation has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares or RSUs vest, will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have 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 related to their share options, restricted shares or RSUs. Although we currently withhold income tax from our PRC employees in connection with their exercise of options and the vesting of their restricted shares and RSUs, if the employees fail to pay, or the PRC subsidiaries fail to withhold, their income taxes according to relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC governmental authorities.

***We rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements.***

We are a holding company and rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries and on remittances from our variable interest entity, for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside China and pay our expenses. The laws, rules and regulations applicable to our PRC subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, each of our subsidiaries incorporated in China is required to set aside at least 10% of its after-tax profits each year, after making up for previous years' accumulated losses, if any, to fund certain statutory reserves, until the aggregate amount of such fund reaches 50% of its registered capital. As a result of these laws, rules and regulations, our subsidiaries incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary. As of December 31, 2018, 2019 and 2020, these restricted assets totaled US\$34.9 million, US\$34.6 million and US\$24.8 million, respectively.

Limitations on the ability of the variable interest entity to make remittance to the wholly foreign-owned enterprise to pay dividends to us could limit our ability to access cash generated by the operations of our variable interest entity, including to make investments or acquisitions that could be beneficial to our businesses, pay dividends to our shareholders or otherwise fund and conduct our business.

***We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.***

Under the PRC Enterprise Income Tax Law and its implementing rules, enterprises established under the laws of jurisdictions outside China with "de facto management bodies" located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. "De facto management body" refers to a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise. The SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or the Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by individuals or foreign enterprises, the determining criteria set forth in Circular 82 may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income, and our profitability and cash flow may be materially reduced as a result of our global income being taxed under the Enterprise Income Tax Law. We believe that none of our entities outside China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body."

***Dividends payable to our foreign investors and gains on the sale of our ADSs or Class A ordinary shares by our foreign investors may be subject to PRC tax.***

Under the Enterprise Income Tax Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends payable to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Any gain realized on the transfer of ADSs or Class A ordinary shares by such investors is also subject to PRC tax at a current rate of 10% which in the case of dividends will be withheld at source if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends paid on our Class A ordinary shares or ADSs, and any gain realized from the transfer of our Class A ordinary shares or ADSs, may be treated as income derived from sources within the PRC and may as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer of ADSs or Class A ordinary shares by such investors may be subject to PRC tax at a current rate of 20%. Any PRC tax liability may be reduced under applicable tax treaties. However, it is unclear whether holders of our ADSs or Class A ordinary shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas if we are considered a PRC resident enterprise. If dividends payable to our non-PRC investors or gains from the transfer of our ADSs or Class A ordinary shares by such investors are subject to PRC tax, the value of your investment in our ADSs or Class A ordinary shares may decline significantly.

***We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.***

On February 3, 2015, the SAT issued the Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises, or the SAT Circular 7. The SAT Circular 7 extends its tax jurisdiction to transactions involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Circular 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Circular 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. On October 17, 2017, the SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or the SAT Circular 37, which came into effect on December 1, 2017. The SAT Circular 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions, under SAT Circular 7 and/or SAT Circular 37. For transfer of shares in our company that do not qualify for the public securities market safe harbor by investors who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under SAT Circular 7 and/or SAT Circular 37. As a result, we may be required to expend valuable resources to comply with SAT Circular 7 and/or SAT Circular 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

***Restrictions on currency exchange may limit our ability to utilize our revenue effectively.***

A portion of our revenue is denominated in Renminbi. The Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries or variable interest entity. Currently, our PRC subsidiaries, which are wholly foreign-owned enterprises, may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Since a portion of our future revenue will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our shareholders, including holders of our ADSs. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries and our variable interest entity.

***Proceedings instituted by the SEC against certain PRC-based accounting firms, including the affiliate of our independent registered public accounting firm, and/or any related adverse regulatory development in the PRC, could result in our financial statements being determined to not be in compliance with the requirements of the Exchange Act.***

In December 2012, the SEC instituted administrative proceedings against the Big Four PRC-based accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC’s rules and regulations thereunder by failing to provide to the SEC the firms’ audit work papers with respect to certain PRC-based companies that are publicly traded in the United States.

On January 22, 2014, the administrative law judge presiding over the matter rendered an initial decision that each of the firms had violated the SEC’s rules of practice by failing to produce audit papers and other documents to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months.

On February 6, 2015, the four China-based accounting firms each 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 and audit U.S.-listed companies. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. Under the terms of the settlement, the underlying proceeding against the four China-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if the SEC will further challenge the four China-based accounting firms' compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties such as suspensions, if the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements could ultimately lead to the delisting of our ADSs from the Nasdaq Stock Market or the termination of the registration of our ADSs under the Exchange Act, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

***It may be difficult for overseas regulators to conduct investigation or collect evidence within China.***

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

***Failure to make adequate contributions to various employee benefit plans and withhold individual income tax on employees' salaries as required by PRC regulations may subject us to penalties.***

Companies operating in China are required to participate in various government-mandated employee benefit contribution plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and to contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit contribution plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Companies operating in China are also required to withhold individual income tax on employees' salaries based on the actual salary of each employee upon payment. We may be subject to late fees and fines in relation to the underpaid employee benefits and under-withheld individual income tax, and, if so, our financial condition and results of operations may be adversely affected.

***Risks Related to Our ADSs***

***The trading price of our ADSs may be volatile, which could result in substantial losses to you.***

The trading price of our ADSs is volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other listed companies based in China. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of other Chinese companies' securities after their offerings, including technology companies and transaction service platforms, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. Furthermore, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009, the second half of 2011 and in 2015, including as a result of concerns over the impact of the COVID-19 pandemic, which may have a material adverse effect on the trading price of our ADSs.

In addition to the above factors, the price and trading volume of our ADSs may be highly volatile due to multiple factors, including the following:

- regulatory developments affecting us or our industry;
- announcements of studies and reports relating to the quality of our credit offerings or those of our competitors;
- changes in the economic performance or market valuations of other transaction service platforms;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the market for health and wellness products;
- announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures, capital raisings or capital commitments;
- additions to or departures of our senior management;
- fluctuations of exchange rates between the Renminbi and the U.S. dollar;
- release or expiry of lock-up or other transfer restrictions on our outstanding shares or ADSs; and
- sales or perceived potential sales of additional Class A ordinary shares or ADSs.

Substantial future sales or perceived potential sales of our ADSs, Class A ordinary shares or other equity securities in the public market could cause the price of our ADSs to decline significantly.

Sales of our ADSs, Class A ordinary shares or other equity securities in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline significantly. As of April 15, 2021, we had 73,361,883 Class A ordinary shares outstanding, including 54,605,596 Class A ordinary shares represented by ADSs. All of our ADSs are freely transferable by persons other than our “affiliates” without restriction or additional registration under the U.S. Securities Act of 1933, as amended, or the Securities Act.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and trading volume could decline.***

It is our policy not to offer guidance on earnings. The trading market for our ADSs depends in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who cover us downgrade our ADSs or publish inaccurate or unfavorable research about our business, the market price for our ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline significantly.

***Our dual-class share structure with different voting rights limits our investors’ ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and holders of our ADSs may view as beneficial.***

We have a dual-class share structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. In respect of matters requiring the votes of shareholders, holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to 10 votes per share. One (1) of our ADSs represents four (4) of our Class A ordinary shares. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

As of April 15, 2021, Ms. Zoe Wang and Mr. Leo Zeng beneficially own all of our issued and outstanding Class B ordinary shares. These Class B ordinary shares constitute approximately 49.3% of our total issued and outstanding share capital and 90.7% of the aggregate voting power of our total issued and outstanding share capital as of April 15, 2021, due to the disparate voting powers



associated with our dual-class share structure. See “Item 6. Directors, Senior Management and Employees— E. Share Ownership.” As a result of the dual-class share structure and the concentration of ownership, holders of Class B ordinary shares have considerable influence over matters such as decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. Such holders may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control limits our investors’ ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and holders of our ADSs may view as beneficial.

***As a foreign private issuer, we are permitted to, and we will continue to, rely on exemptions from certain Nasdaq corporate governance standards applicable to domestic U.S. issuers. This may afford less protection to holders of our Class A ordinary shares and holders of the ADSs than they would enjoy if we were a domestic U.S. company.***

We are exempted from certain corporate governance requirements of Nasdaq by virtue of being a foreign private issuer. We are required to provide a brief description of the significant differences between our corporate governance practices and the corporate governance practices required to be followed by domestic U.S. companies listed on the Nasdaq Stock Market. The standards applicable to us are considerably different than the standards applied to domestic U.S. issuers. We have relied on and plan to continue to rely on home country practice with respect to our corporate governance. Specifically, we do not (i) have a majority of the board be independent; (ii) have a compensation committee or a nominating and corporate governance committee consisting entirely of independent directors; or (iii) have an audit committee be composed of at least three members. These practices may afford less protection to shareholders than they would enjoy if we complied fully with the Nasdaq corporate governance requirements.

As a foreign private issuer, we are exempt from certain disclosure requirements under the Exchange Act, which may afford less protection to our shareholders than they would enjoy if we were a domestic U.S. company.

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 securities 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 intend to continue to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the Nasdaq Stock Market. 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 is less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, our investors may not be afforded the same protections or information that would be made available to our investors were they investing in a U.S. domestic issuer.

***As an emerging growth company, we are exempt from certain reporting requirements.***

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies, including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act so long as we are an emerging growth company.

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 elected not to “opt out” of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we will adopt the new or revised standard at the time private companies adopt the new or revised standard and will do so until such time that we either (i) irrevocably elect to “opt out” of such

extended transition period or (ii) no longer qualify as an emerging growth company. As a result, our operating results and financial statements may not be comparable to the operating results and financial statements of other companies who have adopted the new or revised accounting standards.

***You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited because we are incorporated under Cayman Islands law, we conduct substantially all of our operations in China and most of our directors and all of our executive officers reside outside the United States.***

We are incorporated in the Cayman Islands and conduct substantially all of our operations in China through our wholly foreign-owned enterprises and our variable interest entity. Most of our directors and all of our executive officers reside outside the United States and a substantial portion of their assets are located outside of the United States. As a result, it may 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 securities laws of the United States or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States or China, although the courts of the Cayman Islands will generally recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

Our corporate affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and by the Companies Act (2021 Revision) (as amended) and common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders and the fiduciary responsibilities of our directors 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 provides persuasive, but not binding, authority in 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 precedents 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, shareholders in Cayman Islands companies may not have standing to initiate a shareholder derivative action in U.S. federal courts.

In addition, we conduct substantially all of our business operations in China, and most of our directors and all of our executive officers reside outside the United State. The SEC, U.S. Department of Justice, or the DOJ, and other authorities often have substantial difficulties in bringing and enforcing actions against non-U.S. companies and non-U.S. persons, including company directors and officers, in certain emerging markets, including China. Additionally, our public shareholders may have limited rights and few practical remedies in emerging markets where we operate, as shareholder claims that are common in the United States, including class action based on securities law and fraud claims, generally are difficult or impossible to pursue as a matter of law or practicality in many emerging markets, including China. For example, in China, there are significant legal and other obstacles for the SEC, the DOJ and other U.S. authorities to obtaining information needed for shareholder investigations or litigation. Although the competent authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, the regulatory cooperation with the securities regulatory authorities in the United States has not been efficient in the absence of a mutual and practical cooperation mechanism. According to Article 177 of the PRC Securities Law which became effective in March 2020, no foreign securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the PRC securities regulator and the other competent governmental authorities, no organization or individual may provide the documents and materials relating to securities business activities to foreign securities regulators.

As a result, our public shareholders may have more difficulty in protecting their interests through actions against us, our management, our directors or our major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

***You, as holders of our ADSs, may have fewer rights than holders of our Class A ordinary shares and must act through the depositary to exercise those rights.***

Holders of ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying Class A ordinary shares in accordance with the provisions of the deposit agreement. Under our memorandum and articles of association, the minimum notice period required to convene a general meeting is seven days. When a general meeting is convened, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw your Class A ordinary shares to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may 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 depository to vote your ADSs. Furthermore, the depository and its agents 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 may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

***You may be subject to limitations on transfer of your ADSs.***

Your ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

***You may not receive distributions on our Class A ordinary shares or any value for such Class A ordinary shares if it is illegal or impractical to make them available to you.***

The depository of our ADSs has agreed to pay you the cash dividends or other distributions it or the custodian for our ADSs receives on our Class A ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our Class A ordinary shares that your ADSs represent. However, the depository is not responsible for making such payments or distributions 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 depository is not responsible for making a distribution available to any holders of ADSs if any government approval or registration required for such distribution cannot be obtained after reasonable efforts made by the depository. We have no obligation to take any other action to permit the distribution of our ADSs, Class A ordinary shares, rights or anything else to holders of our ADSs. This means that you may not receive the distributions we make on our Class A ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may materially reduce the value of your ADSs.

***Your rights to pursue claims against the depository as a holder of ADSs are limited by the terms of the deposit agreement and the deposit agreement may be amended or terminated without your consent.***

Under the deposit agreement, any action or proceeding against or involving us or the depository, arising out of or based upon the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs (including any such action or proceeding that may arise under the U.S. federal securities laws), may only be instituted in a state or federal court in the city of New York, and you, as a holder of our ADSs, will have irrevocably waived any objection which you may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such action or proceeding. Such exclusive jurisdiction may, among other things, discourage lawsuits against or involving us or the depository, lead to increased costs to bring a claim or limit your ability to bring a claim in a judicial forum you find favorable. Also, we may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you will be deemed to have agreed to be bound by the deposit agreement as amended, unless such amendment is found to be invalid under any applicable laws, including the U.S. federal securities laws.

***ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiffs in any such action.***

The deposit agreement governing the ADSs representing our Class A Ordinary Shares provides that, to the fullest extent permitted by applicable law, ADSs holders waive the right to a jury trial of any claim they may have against us or the depository arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws. The waiver to right to a jury trial of the deposit agreement is not intended to be deemed a waiver by any holder or beneficial owner of ADSs of our or the depository's compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

If we or the depository oppose a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. The enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party

knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before investing in the ADSs.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depository in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and/or the depository. If a lawsuit is brought against us and/or the depository under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in a different outcome than a trial by jury would have had, including results that could be less favorable to the plaintiffs in any such action.

Nevertheless, if this jury trial waiver is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or our ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depository of compliance with any provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

***We may incur increased costs as a result of being a public company, particularly when we cease to qualify as an “emerging growth company,” which may strain our resources.***

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and the Nasdaq Stock Market, imposes various requirements on the corporate governance practices of public companies. We qualify as an “emerging growth company” pursuant to 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 exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act in the assessment of the emerging growth company’s internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected not to “opt out” of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we will adopt the new or revised standard at the time private companies adopt the new or revised standard and will do so until such time that we either (i) irrevocably elect to “opt out” of such extended transition period or (ii) no longer qualify as an emerging growth company.

Compliance with these rules and regulations has increased and will continue to increase our legal and financial compliance costs and has made and will continue to make some corporate activities more time-consuming and costly. When we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and the other rules and regulations of the SEC. In addition, we have incurred additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We expect these rules and regulations to increase our legal and financial compliance costs, but we cannot predict or estimate the additional costs we may incur or the timing of such costs.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company’s securities. If we were involved in a class action suit, it could divert a significant amount of our management’s attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

## **Item 4. Information on the Company**

### **A. History and Development of the Company**

#### ***Our Company***

Our business commenced operations in December 2011, when our co-founders, Ms. Zoe Wang and Mr. Leo Zeng, established our predecessor, Shanghai ECMOHO Health Biotechnology Co., Ltd., or ECMOHO Shanghai, incorporated under the laws of the PRC.

In May 2013, we became the exclusive distributor and brand manager in China of our first international brand partner, Puritan's Pride, a U.S.-based manufacturer of vitamins, minerals, herbs and other nutritional supplements. We remain Puritan's Pride's exclusive distributor and brand manager in China as of today.

In January 2014, we commenced operation of the Puritan's Pride cross-border flagship store on Tmall Global.

In July 2016, we began working with Gerber Baby Products, an established U.S.-based manufacturer and distributor of infant healthcare products.

In September 2017, we began working with Wyeth Nutrition, an established international brand that focuses on nutrition products for mothers, infants and young children.

In June 2018, ECMOHO Limited was incorporated under the laws of the Cayman Islands, and ECMOHO (Hong Kong) Health Technology Limited, or ECMOHO Hong Kong, was incorporated under the laws of Hong Kong and wholly owned by ECMOHO Limited. In July 2018, ECMOHO Hong Kong acquired 97.5% of the equity interest of ECMOHO Shanghai from our co-founders and certain other shareholders of ECMOHO Shanghai. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Transactions with our co-founders" for more information.

In April 2019, we launched XG Health, our proprietary integrated family health management and service platform, which offers offline retailers and consumers a range of health and wellness products and rich content. In April 2020, we divested our 60% interest in Xianggui Shanghai, our subsidiary through which we operated the XG Health platform. See "—Divestment of our interest in the XG Health platform" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Divestment of equity interest in Xianggui Shanghai and deconsolidation of Yang Infinity" for more information.

In June 2019, ECMOHO Hong Kong, through an onshore subsidiary, entered into an agreement to acquire the remaining 2.5% of the equity interest of ECMOHO Shanghai from its minority shareholders.

In November 2019, we completed an initial public offering of 4,675,000 ADSs (including ADSs sold in connection with the over-allotment offering), representing 18,700,000 of our Class A ordinary shares. Our ADSs commenced trading on the Nasdaq Global Market under the trading symbol "MOHO" on November 8, 2019.

In the first quarter of calendar year 2020, we entered into various business cooperation arrangements with certain companies to offer digital marketing, data analytics services and other services. For example, in March 2020, we commenced offering online and offline marketing services to Beingmate Baby & Child Food Co., Ltd. and in April 2020 we commenced offering marketing services to L&P Cosmetic Co., Limited.

On July 23, 2020, we entered into an investment agreement with Anze, a company involved in the research and development of Chinese herbal medicine-based health and wellness products. We are committed to paying Anze up to US\$30 million, comprising of up to US\$15 million for an equity interest in Anze and up to US\$15 million for zero coupon notes issued by Anze. As of December 31, 2020, we made investment of US\$5.9 million in Anze, representing 11.7% of its equity interest.

### **Divestment of our interest in the XG Health platform**

We developed XG Health, an integrated family health management and service platform that connects consumers and specialty offline retailers with our brand partners and healthcare experts and offers health management plans such as blood pressure control and weight management programs. These health management plans, prepared by the doctors and nutritionists, contain detailed guidelines on dietary plans and other daily routines and, where relevant, include product recommendations. Consumers may reach out to these healthcare experts for further inquiries and receive customized non-medical health and wellness recommendations. XG Health also provides a rich array of carefully selected health and wellness products. Consumers may purchase these products for themselves or promote these products on social media and earn commissions on an actual sale. In addition, in mid-2019, we launched an XG Health mobile app for retailers, enabling them to source health and wellness products from us and we rolled out a pilot program to invite owners of specialty stores in “lower-tier” cities, townships and rural area in Anhui Province in China to register on this app, and we plan to expand our offline coverage nationwide.

We operated XG Health through our PRC-incorporated subsidiary Xianggui Shanghai. In 2019, sales through our XG Health platform accounted for less than 1.0% of our total net revenues. In early 2020, during the COVID-19 pandemic, as cities, towns and municipalities across China, including Anhui province, began implementing lockdown and virus containment measures, some specialty stores that had registered on our XG Health app were experiencing financial difficulties and were unable to engage in e-commerce with us. In April 2020, we divested our 60% equity interests in Xianggui Shanghai to Shanghai Xianggui Health Technology Co. Ltd., an entity controlled by our co-founders, for a consideration of RMB3.4 million (US\$521.1 thousand). See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Divestment of equity interest in Xianggui Shanghai and deconsolidation of Yang Infinity” for more information.

### **Additional Information**

Cogency Global Inc. is acting as our company’s authorized representative in the United States. The address of Cogency Global Inc. is 122 E. 42nd Street, 18th Floor, New York, NY 10168, the United States of America.

The company’s principal executive offices are located at 3<sup>rd</sup> Floor, 1000 Tianyaoqiao Road, Xuhui District, Shanghai, 200030, the People’s Republic of China. The company’s telephone number at this address is +86 21 6417 2213. The office of the company is at the offices of Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands. Our website can be found at [www.ecmoho.com](http://www.ecmoho.com). The information contained on our website is not a part of this annual report on Form 20-F.

The SEC maintains a website, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding registrants, including ECMOHO Limited, that file electronically with the SEC.

See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures” for a discussion of our capital expenditures.

### **B. Business Overview**

We are one of China’s leading integrated solution providers in the rapidly growing non-medical health and wellness market. As an integrated solution provider, we have connected the entire industry supply chain, including upstream brand partners, midstream channels and downstream consumers. We use technology and data analytics to empower the entire industry, by providing strategy, consumer insights, inventory management and channel management to global brand partners, a platform for experts and KOLs to reach and monetize their fan base, consistent and reliable supply of products and expert-curated content to small and mid-sized businesses, and quality products and trustworthy content to consumers.

## Our Business Model and Services

We generate revenues through product sales to consumers and retailers and services primarily to brand partners. The following table sets forth a breakdown of our net revenues for the periods indicated:

	Year Ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in thousands of U.S. dollars, except percentages)					
Product sales	176,098	88.5%	302,099	91.7%	300,156	98.4%
Services	22,917	11.5	27,381	8.3	4,783	1.6
Total	199,015	100.0%	329,480	100.0%	304,939	100.0%

### Product Sales

We carefully select, through data analysis, products that suit consumer needs from upstream brand partners and sell these products through a variety of channels. We sell these products directly to consumers through online flagship stores we operate on third-party e-commerce platforms, such as Tmall and JD.com. Some brand partners authorize us to operate their flagship stores on specific e-commerce platforms, while others' products are offered in our self-operated flagship stores on third-party e-commerce platforms. To a lesser extent, we also sell products directly to consumers through Douyin.

We also sell our brand partners' and our proprietary brands' products to third-party e-commerce platforms, such as Tmall-Mart, JD.com, and other small and medium-sized online and offline retailers. We typically enter into supply agreements with such e-commerce platforms and other retailers with a term of 12 months or more, during which the e-commerce platforms or other retailers place orders with us from time to time for specified products based on a predetermined price or based on price negotiated at the time of the order. Some of these agreements set forth the purchase price for the specified products; others provide that such price shall be set forth in each purchase order following consultation between the retailer and us.

In addition, we enter into consignment arrangements with certain e-commerce platforms, pursuant to which the title to the products we deliver to these e-commerce platforms remains with us until these products are sold to end-consumers. These e-commerce platforms pay us the purchase price of the underlying products according to pre-determined billing cycles, but they have the right to return to us for a full refund any product that is returned by end-consumers or has remained unsold for a specified period of time.

### Services

We offer our brand and retail partners solutions on strategy, marketing, products, digitalization, consumer insights, supply chain and SaaS tailored to their needs and charge fixed project-based service fees or commissions. We also regularly conduct research on China's health and wellness market and provide the analysis to our brand partners. Since we began to offer technology solutions in calendar year 2020, we have expanded our services to cover, in addition to large brand partners, small and medium-sized enterprises as well.

## Our Brand Partners and Brand Partner Development and Services

### Brand Partners

As of December 31, 2020, we sourced 38 brands of products from 28 brand partners. The products we source cover a wide range of categories, including health supplements and food, mother and child care products, and personal care products. The following table sets forth a selection of the brands we work with and the products we sourced in 2020:

Categories	Selected Brand Partners	Selected Products
Health Supplements and Food	Harbin Pharmaceutical	Healthcare Product Series of Calcium Supplements
	Puritan's Pride	Chondroitin & MSM Joint Soother
	Jiangzhong Food Therapy	Gruel
	Perrier	Mineral Water
	Wyeth Pharmaceutical	Centrum Multivitamin
Mother and Child Care Products	Abbott	Eleva Organic Baby Milk Powder
	Gerber	DHA & Probiotic Rice
	Lansinoh	Lanolin Nipple Cream
	Wyeth Nutrition	Illuma Organic Growing-Up Formula Milk Powder
Personal Care Products	A.H.C.	White Collagen Skincare Set
	The Saem	Harakeke Skincare Set

The table below sets forth a breakdown of our product sales revenue by product category:

	Year Ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in thousands of U.S. dollars, except percentages)					
Health Supplements and Food	80,318	45.6%	116,976	38.7%	138,269	46.1%
Mother and Child Care Products	69,270	39.4	131,927	43.7	118,729	39.5%
Personal Care Products	11,289	6.4	24,293	8.0	25,554	8.5%
Others*	15,221	8.6	28,903	9.6	17,604	5.9%
<b>Total</b>	<b>176,098</b>	<b>100.0%</b>	<b>302,099</b>	<b>100.0%</b>	<b>300,156</b>	<b>100.0%</b>

\* Includes household healthcare equipment and household cleaning products.

Our product sales revenues in 2020 remained relatively stable as compared to 2019, with a decrease in the sales of mother and child care products from US\$131.9 million in 2019 to US\$118.7 million in 2020, offset by an increase in the sales of health supplements and food products from US\$117.0 million in 2019 and to US\$138.3 million in 2020.

We typically enter into annual supply agreements with our brand partners and, in some cases, act as the sole online exclusive strategic partner or sole cross-border e-commerce strategic partner in China. We purchase products from our brand partners at a discount to retail price by placing orders on an as-needed basis based on the projected sales cycle of the underlying product. We typically commit to sales targets and sometimes minimum inventory requirements with our brand partners. In return, we often receive sales rebates from our brand partners. Toward the end of the term, we assess the underlying products' performance and negotiate with the brand partners on the renewal of the agreement. We constantly optimize our brand partner and product portfolio based on our consumer data and analytics derived from the traffic and interactions on the online stores we operate, on third-party e-commerce platforms and the social media accounts operated by us.

We also provide value-added services to some of our brand partners under the service fee model. See "—Our Business Model and Services —Services" for details. We enter into separate service agreements with those brand partners for such services.



## **Brand Partner Development and Services**

### *Brand partner screening and acquisition*

We are highly selective in screening and choosing brand partners. We primarily focus on brands with global recognition, long and proven track records or leading positions in their respective market segments. We further screen potential brand partners by analyzing consumer behaviors, including their searches, inquiries and purchases, in the online flagship stores we operate on third-party e-commerce platforms. Such records reveal the latest trends in consumer demand, allowing us to constantly review and from time to time strategically select brands with products that address the needs of consumers in China. In addition, we identify brands with significant market potential based on our market insights with a view to developing them into our major brand partners. Brands are generally willing to consider partnering with us because of our valuable insights into consumer demand, which enables targeted marketing efforts that are more effective and efficient than conventional marketing efforts without the support of consumer data analytics. To optimize the use of our resources, we also from time to time terminate our partnership with certain brands whose products do not perform as expected.

We also seek to deepen our relationships with existing brand partners by expanding the brand portfolio that they distribute through us. Three of the ten largest brand partners in terms of revenue contribution in 2020 were under the common control of a global food and beverage company. At the beginning of 2017, we distributed only one brand owned by this company, and as the relationships deepened, we distributed 7 brands owned by this company as of December 31, 2020.

### *Brand partner services*

Each of our brand partners is assigned an operations team led by an experienced operations director, who is responsible for managing our relationship with the brand partner and provides consultation on the brand partner's needs. Based on such needs, we provide our brand partners with comprehensive tailored solutions that encompass growth strategies, marketing strategies, design and operation of online stores, online and offline marketing campaigns, consumer management, channel management and supply chain management.

## **Our Proprietary Brands**

In 2016, we acquired two brands to provide tailored products that target underserved market niches, Heng Shou Tang, which is a traditional Chinese herbal tonics brand, and KGC, which is a household healthcare equipment brand that specializes in premium massage chairs. The products of these two brands are manufactured by third parties with whom we enter into annual manufacturing and supply agreements. In 2018, 2019 and 2020, combined revenues from the sales of Heng Shou Tang and KGC products were US\$10.5 million, US\$6.0 million and US\$3.0 million, respectively. In 2020, the combined revenues from the sales of Heng Shou Tang and KGC products represented less approximately 1.0% of our total net revenues. In July 2020 and October 2020, we sold the two brands KGC and Heng Shou Tang, respectively, through equity transfer agreements with Shanghai Xiangui Health Technology Co., Ltd., an entity under the control of our co-founders, Ms. Wang and Mr. Zeng. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Divestment of equity interest in Shanghai Jieshi and Shanghai Hengshoutang" for more information.

## **Content Generation and Promotional Activities**

### **Content Generation**

We partner with over 1,300 healthcare experts and KOLs to generate health and wellness content. These content generators, who receive a fixed fee from us, provide general advice on trending non-medical health and wellness topics and, based on product information from our brand partners, combine such advice with product recommendations. The generated content is then vetted by the relevant brand partner and processed by our 86-person contents team, comprising specialists in editing and website design and in-house licensed nutritionists, for publication. Such content is published as articles and short videos on various social media accounts we operate and sometimes provided to news and information outlets with embedded links to our online stores. Our contents team receives ongoing training from and supervision by our legal team, ensuring that the content generated complies with the relevant PRC laws and regulations.

### **Online Promotional Activities**

We operate online flagship stores on multiple e-commerce platforms. See "—Our Business Model and Services" for details. Our online presence is a crucial component of our sales and marketing strategy and consumer-centric ecosystem, and we use a

number of methods to increase site traffic, including conducting sales promotions through the online flagship stores, paying for advertisements tied to certain health and wellness-related keywords on search engines and generating blogs and videos that increase our exposure to target consumers. In addition, we leverage our data analytics capabilities to conduct targeted marketing. See “—Technology Infrastructure” for details.

### **Offline Promotional Activities**

We regularly engage in a range of offline promotional activities. To attract consumers, we host free healthcare presentations given by medical practitioners that are open to the public, and where samples of health and wellness products related to the presentation’s topic are given out for free. We also collaborate with brand partners to host pop-up stores. To attract more retailers, we host promotional presentations for our brand partners that are attended by their senior executives. We also plan to host more offline consumer engagement activities, such as health and wellness presentations, in “lower-tier” cities, townships and rural areas in China to enhance the health consciousness of local consumers, which we believe leads to increased demand for the products we offer.

### **Fulfillment and Payment**

From our years of experience in the cross-border and domestic e-commerce business, we have acquired significant know-how in managing the entire fulfillment process. We engage third-party warehousing and logistics service providers to ship the products we source from our brand partners to the warehouses we designate. We store our inventory in facilities occupying an aggregate floor area of approximately 46,000 square meters, comprising the two warehouses we lease and operate in Wuhu and Hangzhou and facilities operated by third-party warehousing and logistics service providers located in different cities in China and different countries, including the United States and South Korea. We monitor and adjust our inventory level on an ongoing basis based on our sales projections and the shipment schedule of our brand partners. In the case of cross-border e-commerce, we arrange bulk shipment from our brand partners’ overseas warehouses to cross-border bonded zones in China pending customs clearance. Once a consumer places an order and makes payment, we clear the products through customs, including making the necessary tax payment, and deliver the products to the consumer.

We deliver products purchased by consumers and retailers nationwide through 14 third-party couriers. We typically enter into annual service agreements with warehousing and logistics service providers and third-party couriers and assume risks of damage and loss not attributable to the service provider’s fault.

### **Technology Infrastructure**

Our technology infrastructure is critical to our ability to serve consumers, including our data analytic capabilities. As of December 31, 2020, our technology and information technology team consisted of 48 employees, including core team members with extensive experience with e-commerce and Internet companies in China.

Central to our data analytics capabilities is our enterprise customer resource planning, or ECRP, system. The ECRP system retrieves orders placed by consumers directly with us and creates a profile for each consumer. To remove duplicate profiles across different channels, the ECRP system runs a check on IP addresses and contact information, such as mobile number and delivery address. Based on the order placed, each consumer profile is automatically assigned labels that enable targeted marketing.

Based on our consumers’ historical purchases and responses to our marketing messages, the ECRP system may assign each consumer numerous labels that differentiate their health and wellness needs, brand preferences, purchasing power and level of interest in our promotional activities. In addition, our data analysts monitor the sales data gathered by the ECRP system on an ongoing basis and identify trends in consumer demand.

We also license from third parties software programs that provide support for other aspects of our operations, including supply chain management, warehousing management and financial accounting. In addition, we are committed to ensuring the security and reliability of our technology infrastructure and safeguarding our data. We have adopted comprehensive cybersecurity and system back-up policies and regularly conduct internal audits on compliance with these policies. We intend to further invest in our technology infrastructure to support the growth of our business.

## Intellectual Property

We regard our trademarks, copyright, service marks, domain names, trade secrets, proprietary technologies and other intellectual property as critical to our success. To protect our proprietary rights in content, services and technology, we rely on trademark, copyright and trade secret protection laws in China. As of December 31, 2020, we owned 345 registered trademarks, including those relating to our “ECMOHO” brand name. As of the same date, we also owned 40 copyrights and 6 domain names in China and Hong Kong.

We use our brand partners’ names, logos and other marks in connection with marketing and selling their products. Some of our agreements with our brand partners provide us with licenses, typically coterminous with the agreement, to use their intellectual property for the said purposes; others require that we obtain the brand partner’s consent for specific uses of the brand partner’s intellectual property. We do not register our brand partners’ trademarks in China on their behalf.

## Insurance

We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance and medical insurance, for our employees. We have also obtained insurance to cover certain potential risks and liabilities, such as property damage. We do not maintain business interruption insurance, product liability insurance or key-man life insurance. We consider our insurance coverage sufficient for our business operations in China.

## Legal Proceedings

From time to time, we are involved in legal proceedings in the ordinary course of our business. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may from time to time become party to litigation, other legal or administrative disputes and proceedings that may materially and adversely affect us” for more information. Except as disclosed in this annual report on Form 20-F, we are currently not a party to any material legal or administrative proceedings.

## Regulations

This section summarizes the principal PRC regulations related to our business.

We operate our business in China under a legal regime created and made by PRC lawmakers consisting of the National People’s Congress, or the NPC, which is the country’s highest legislative body, the State Council, which is the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the National Health Commission of the PRC, or the NHC, the Ministry of Industry and Information Technology, or the MIIT, the State Administration for Market Regulation (formerly known as the State Administration for Industry and Commerce), or the SAMR, and their respective local offices.

See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of healthcare industry and Internet-related businesses, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.”

### Regulations Relating to Foreign Investment

Investment activities in the PRC by foreign investors and foreign-owned enterprises are principally governed by the *Guidance Catalog of Industries for Foreign Investment*, or the Catalog, which was first issued in 1995 and amended from time to time. The most updated Catalog was promulgated by the Ministry of Commerce of the PRC, or the MOFCOM, and the National Development and Reform Commission, or the NDRC, on June 28, 2017 and became effective on July 28, 2017, and contains specific provisions governing market access of foreign capital and stipulates in details the areas of entry pertaining to the categories of encouraged industries for foreign investment, restricted industries for foreign investment and prohibited industries for foreign investment. The Special Administrative Measures for Access of Foreign Investments (2020 Edition) promulgated on June 23, 2020 and became effective on July 23, 2020, or the Negative List 2020, and the Catalog of Encouraged Industries for Foreign Investment (2020 Edition) promulgated on December 27, 2020 and became effective January 27, 2021, replaced the Catalog in its entirety. According to the current regulation, any industry not listed in the Negative List 2020 is a permitted industry and is generally open to foreign investment unless specifically prohibited or restricted by PRC laws and regulations. According to the Negative List 2020, foreign investment in value-added telecommunications service providers shall not exceed 50% (excluding e-commerce, domestic multi-party telecommunication, storage and forwarding business, and call center).

In order to coincide the implementation of the Foreign Investment Law (as defined below) and the Implementation Regulations (as defined below), the MOFCOM and the SAMR promulgated the Measures for Reporting of Information on Foreign Investment on December 30, 2019, which became effective from January 1, 2020. The Measures for Reporting of Information on Foreign Investment stipulates that foreign investors or foreign-invested enterprises, or the FIEs, shall submit investment information by submitting initial reports, change reports, cancellation reports, annual reports etc. through enterprise registration system and national enterprise credit information publicity system. The Announcement of the MOFCOM [2019] No. 62—Announcement on Matters Concerning the Reporting of Information on Foreign Investment promulgated by the MOFCOM on December 31, 2019 and the Circular of the SAMR on Effective Work on Registration of Foreign-invested Enterprises for the Implementation of the Foreign Investment Law promulgated by SAMR on December 28, 2019 further refine the related rules.

#### *Foreign Investment Law*

On March 15, 2019, the SCNPC promulgated the *Foreign Investment Law*, which became effective on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Foreign Owned Enterprise Law, together with their implementation rules and ancillary regulations. The organizational form, organization and activities of foreign-invested enterprises shall be governed, among others, by the PRC Company Law and the PRC Partnership Enterprise Law. Foreign-invested enterprises established before the implementation of the Foreign Investment Law may retain the original business organization and so on within five years after the implementation of this Law.

On December 26, 2019, the State Council promulgated the *Implementation Regulations on the Foreign Investment Law*, or the Implementation Regulations, which became effective on January 1, 2020. The Implementation Regulations strictly implements the legislative principles and purpose of the Foreign Investment Law, emphasizes on the promotion and protection of the foreign investment and refines the specific measures. On the same date, the Supreme People's Court issued the Interpretation on the Application of the Foreign Investment Law of the PRC, which also came into effect on January 1, 2020. This interpretation shall apply to any contractual dispute arising from the acquisition of the relevant rights and interests by a foreign investor by way of gift, division of property, merger of enterprises, division of enterprises, etc.

#### **Regulations Relating to Value-added Telecommunications Services**

##### *Foreign Investment in Value-Added Telecommunications*

Foreign direct investment in telecommunications companies in China is regulated by the *Administrative Provisions on of Foreign-Invested Telecommunications Enterprises*, or the FITE Regulations, which were issued by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016. The FITE Regulations stipulate that a foreign-invested telecommunications enterprise in the PRC, or the FITE, must be established as a sino-foreign equity joint venture for operations in the PRC. Under the FITE Regulations and in accordance with WTO-related agreements, the foreign party investing in a FITE engaging in value-added telecommunications services may hold up to 50% of the ultimate equity interests of the FITE. In addition, the major foreign party to be the shareholder of the FITE must satisfy a number of stringent performance and operational experience requirements, including demonstrating a good track record and experience in operating a value-added telecommunications business. The FITE that meets these requirements must obtain approvals from the Ministry of Industry and Information Technology, or the MIIT, and the MOFCOM or their authorized local branches, which retain considerable discretion in granting approvals. Furthermore, the foreign party investing in e-commerce business, as a type of value-added telecommunications services, has been allowed to hold up to 100% of the ultimate equity interests of the FITE based on the *Circular of the Ministry of Industry and Information Technology on Removing the Restrictions on Shareholding Ratio Held by Foreign Investors in Online Data Processing and Transaction Processing (Operating E-commerce) Business* issued on June 19, 2015 and the current effective *Catalog of Telecommunications Services*, or the Telecom Catalog.

On July 13, 2006, the Ministry of Information Industry of the PRC, or the MII, which is the predecessor of the MIIT, promulgated the *Notice of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services*, or the MII Notice, which reiterates certain requirements of the FITE Regulations and strengthens the administration by the MII. Under the MII Notice, if a foreign investor intends to invest in PRC value-added telecommunications business, the FITE must be established to apply for the relevant telecommunications business licenses. In addition, a domestic company that holds a license for the provision of value-added telecommunications services is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to conduct value-added telecommunications businesses illegally in China. Trademarks and domain names that are used in the provision of value-added telecommunications services must be owned by the license holder or its shareholders. The MII Notice also requires that each value-added telecommunications services license holder have appropriate facilities for its approved business operations and to maintain such facilities in the business regions covered by its license. The value-added telecommunications services license holder shall perfect relevant measures for safeguarding the network and information, establish relevant administrative system for information safety, set up the procedures for handling emergencies of network and information safety and implement the liabilities of information safety.

#### *Telecommunications Regulations*

The *Telecommunications Regulations of the People's Republic of China*, or the Telecom Regulations, promulgated on September 25, 2000 and amended on July 29, 2014 and February 6, 2016, are the primary PRC laws governing telecommunications services, and set out the general framework for the provision of telecommunications services by domestic PRC companies. The Telecom Regulations require that telecommunications services providers shall obtain operating licenses prior to commencing operations. The Telecom Regulations draw a distinction between basic telecommunications services and value-added telecommunications services. The Telecom Catalog, promulgated by the MII on February 21, 2003, amended by the MIIT on December 28, 2015 and June 6, 2019 and issued as an attachment to the Telecom Regulations, identifies Internet information services and online data processing and transaction processing as value-added telecommunications services.

On July 3, 2017, the MIIT issued the revised *Administrative Measures for the Licensing of Telecommunications Business*, or the Telecom License Measures, which became effective in September 1, 2017, to supplement the Telecom Regulations. The Telecom License Measures require that an operator of value-added telecommunications services obtain a value-added telecommunications business operating license from the MIIT or its provincial level counterparts. The term of a value-added telecommunications business license is five years and subject to annual inspection.

#### *Internet Information Services*

On September 25, 2000, the State Council promulgated the *Measures for the Administration of Internet Information Services*, or the ICP Measures, as amended on January 8, 2011. Under the ICP Measures, the Internet information service is categorized into commercial Internet information services and non-commercial Internet services. The operators of non-commercial Internet information services must file with relevant governmental authorities and operators of commercial Internet information services in China must obtain a license for Internet information provision, or the ICP License, from the relevant governmental authorities, and the provision of particular information services, such as news, publishing, education, healthcare, medicine and medical device, and must also comply with relevant laws and regulations and obtain the approval from competent governmental authorities.

Internet information service providers are required to monitor their websites. They may not post or disseminate any content that falls within prohibited categories provided by laws or administrative regulations, and must stop providing any such content on their websites. The PRC government may order ICP License holders that violate the content restrictions to correct those violations and revoke their ICP Licenses under serious conditions.

The MIIT released the *Circular on Regulating the Use of Domain Names in Internet Information Services* on November 27, 2017, effective from January 1, 2018, which provides that the domain names used by the Internet information service provider in providing Internet information services shall be registered and owned by such Internet information service provider, and if the Internet information service provider is a legal entity, the domain name registrant shall be the legal entity (or any of its shareholders), or its principal or senior manager.

On June 28, 2016, the Cyberspace Administration of China, or the CAC, promulgated the *Administrative Provisions on Mobile Internet Applications Information Services*, or the APP Provisions, which became effective on August 1, 2016. Under the APP Provisions, mobile application providers are prohibited from engaging in any activity that may endanger national security, disturb the social order, or infringe the legal rights of third parties, and may not produce, copy, issue or disseminate through Internet mobile applications any content prohibited by laws and regulations. The APP Provisions also require application providers to procure relevant qualifications required by laws and regulations to provide services through such applications and require application store service providers to register with local branches of the CAC within 30 days after they start providing application store services.

Furthermore, on December 16, 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-installation and Distribution of Applications for Mobile Smart Terminals, which took effect on July 1, 2017. It requires, among others, that Internet information service providers should ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

#### ***Regulations Relating to Medical Devices Operation and Service***

##### *Medical Devices Operation*

According to the *Regulations on the Supervision and Administration of Medical Devices*, which was promulgated by the State Council on January 4, 2000 and amended on March 7, 2014 and May 4, 2017, respectively, and the *Measures on the Supervision and Administration of the Business Operations of Medical Devices*, which was promulgated by the State Food and Drug Administration, or the SFDA, the predecessor of the China Food and Drug Administration, or the CFDA (the predecessor of the NMPA), on July 30, 2014 and amended on November 17, 2017 and other relevant laws and regulations, business operations of medical devices are regulated based on the degree of risks involving the medical devices, which are divided into three categories. Operation of Class I medical devices does not require a license or record-filing, while operations of Class II medical devices and Class III medical devices are subject to record-filing and licensing requirements, respectively. An entity engaging in the operation of medical devices shall meet certain requirements with respect to its management system, personnel, facilities, etc., and shall apply for approval to operate Class III medical devices and make record-filing with relevant governmental authority to operate Class II medical devices. The valid term of a medical devices operation permit is five years.

#### ***Regulations Relating to Online Operation of Drugs and Medical Devices***

##### *Internet Drug Information Service*

The *Administrative Measures for Internet Drug Information Service*, or the Internet Drug Measures, was promulgated by the SFDA on July 8, 2004 and amended by the CFDA on November 17, 2017, pursuant to which the Internet drug information service means service activities of providing online users with drug (including medical device) information via Internet and is divided into commercial Internet drug information services and non-commercial Internet drug information services. The website operator that provides drugs (including medical devices) information services must obtain an Internet Drug Information Service Qualification Certificate from the competent counterpart of the CFDA. The valid term for an Internet Drug Information Service Qualification Certificate is five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant governmental authorities.

Furthermore, as requested by Internet Drug Measures, the information relating to drugs shall be accurate and scientific in nature, and its provision shall comply with the relevant laws and regulations. No product information of narcotic drugs, psychotropic drugs, medicinal toxic drugs, radiopharmaceutical, detoxification drugs and pharmaceuticals made by medical institutes shall be published on the website. In addition, advertisements relating to drugs (including medical devices) shall be approved by the CFDA or its competent counterparts.

##### *Online Sales of Medical Device*

Under PRC laws and regulations, the medical devices are allowed to be sold online in general.

On December 20, 2017, the CFDA promulgated the *Measures for the Administration and Supervision of Online Sales of Medical Devices*, or the Online Medical Devices Sales Measures, which became effective on March 1, 2018. According to the Online Medical Devices Sales Measures, enterprises engaged in online sales of medical devices must be medical device manufacture and

operation enterprises that have obtained a medical devices production license or operation license or have been filed for record, unless such licenses or record-filing is not required by laws and regulations, and the third-party platform for provision of online medical devices transaction services shall obtain an Internet Drug Information Service Qualification Certificate. Enterprises engaged in online sales of medical devices and providers of third-party platforms providing online trading service for medical devices shall take technical measures to ensure that the data and materials of online sales of medical devices are authentic, complete and traceable, for example, the records of sales information of medical devices shall be kept for two years after the lifetime of the medical devices, and for no less than five years in case of no lifetime limit, or be kept permanently in case of implanted medical devices.

#### **Regulations Relating to Online Trading and E-Commerce**

On January 26, 2014, the State Administration for Industry and Commerce, or the SAIC, the predecessor of the General Office of the State Administration for Market Regulation) promulgated the *Administrative Measures for Online Trading*, or the Online Trading Measures, which became effective on March 15, 2014, to regulate all operating activities for product sales and services provision via the Internet (including mobile Internet). It stipulates the obligations of online products operators and services providers and certain special requirements applicable to third-party platform operators. Furthermore, the MOFCOM promulgated the *Provisions on the Procedures for Formulating Transaction Rules of Third-Party Online Retail Platforms (Trial)* on December 24, 2014, which became effective on April 1, 2015, to guide and regulate the formulation, revision and enforcement of transaction rules by online retail third-party platform operators. These measures impose more stringent requirements and obligations on third-party platform operators. For example, third-party platform operators are obligated to make public and file their transaction rules with MOFCOM or their respective provincial counterparts, examine and register the legal status of each third-party merchant selling products or services on their platforms and display on a prominent location on a merchant's webpage the information stated in the merchant's business license or a link to its business license. Where third-party platform operators also conduct self-operation of products or services on the platform, these third-party platform operators must make a clear distinction between their online direct sales and sales of third-party merchant products on their third-party platforms to avoid misleading the consumers.

After the issuance of Online Trading Measures, the SAIC has issued a number of guidelines and implementing rules aimed at adding greater specificity to these regulations and continues to consider and issue guidelines and implementing rules in this industry.

For example, the Ministry of Finance, or the MOF, the General Administration of Customs, or the GAC, and the SAT issued the *Circular on Tax Policy for Cross-Border E-commerce Retail Imports* on March 24, 2016, which became effective on April 8, 2016 and the *Circular on Improving Tax Policies for Cross-Border E-commerce Retail Imports* on November 29, 2018, which became effective on January 1, 2019, to regulate cross-border e-commerce trading and introduced the concept of the List of Imported Commodities Retailled through Cross-Border E-commerce, or the Cross-Border E-Commerce Goods List, which has been issued and updated by the three authorities together with other relevant authorities from time to time. The Cross-Border E-Commerce Goods List has been recently updated in December 2019 and the *Circular on Improving the Regulation of Cross-border E-commerce Retail Imports* issued by the MOFCOM, the NDRC, the MOF, the GAC, the SAT and the SAIC in November 2018 to further implement the rules and pursuant to which, qualified retail imported goods on cross-border e-commerce platforms shall be treated as personal items which are not subject to stricter regulations and higher tax rates applicable to normal imported goods in 37 cross-border e-commerce trial cities.

On August 31, 2018, the SCNPC promulgated the E-Commerce Law of the People's Republic of China, or the E-Commerce Law, which took effect on January 1, 2019. The promulgation of the E-Commerce Law established the basic legal framework for the development of China's E-Commerce business and clarified the obligations of the operators of E-Commerce platforms and the possible legal consequences if operators of E-commerce platforms are found to be in violation of legally prescribed obligations. For example, pursuant to the E-Commerce Law, an operator of an E-commerce platform shall give appropriate reminders to and provide convenience for the operators on its platform who have not completed the formalities for the registration of market entities to complete such formalities. Also, an operator of an E-commerce platform is legally obligated to verify and register the information of the business operators on its platform, prepare emergency plans in response to possible cyber security incidents, keep the transaction information for no less than three years from the date on which the transaction has been completed, establish rules on the protection of intellectual property rights and conform to the principle of openness, fairness and justice. Violation of the provisions of the E-Commerce Law may entail being ordered to make corrections within a prescribed period of time, confiscation of gains illegally obtained, fines, suspension of business, inclusion of such violations in the credit records and possible civil liabilities.

#### **Regulations Relating to Food Business**

The *Food Safety Law of the People's Republic of China*, which was effective as from June 1, 2009 and amended by the SCNPC on April 24, 2015, December 29, 2018, and became effective on the same date, and the *Implementation Regulations of the Food Safety Law of the People's Republic of China*, which took effect as from July 20, 2009 and were amended by the State Council on February 6, 2016 and October 11, 2019, regulate food safety and set up a system of the supervision and administration of food

safety and adopt food safety standards. The State Council implements a licensing system for the food production and transaction. To engage in food production, sale or catering services, the business operator shall obtain a license in accordance with the laws. Furthermore, the State Council implements strict supervision and administration for special categories of foods such as healthcare foods, formula foods for special medical purposes and infant formula foods.

The *Administrative Measures for Food Operation Licensing*, promulgated by the CFDA on August 31, 2015 and amended on November 17, 2017, regulates the food business licensing activities, strengthens the supervision and management of food business and ensures food safety. Food business operators shall obtain one Food Business License for one business venue where they engage in food business activities. The valid term of a food business license is five years.

According to the *Administration Measures of Health-care Food Products* issued by the Ministry of Health, or the MOH, on March 15, 1996, any food claimed to have the effect of healthcare must be identified by the MOH.

#### **Regulations Relating to Product Quality and Consumers' Protection**

According to the *Product Quality Law of the People's Republic of China*, which was effective as from September 1, 1993 and amended by the SCNPC on July 8, 2000, August 27, 2009 and December 29, 2018, products for sale must satisfy relevant safety standards and sellers shall adopt measures to maintain the quality of products for sale. Sellers may not mix impurities or imitations into products, or pass counterfeit goods off as genuine ones, or defective products as good ones or substandard products as standard ones. For sellers, any violation of state or industrial standards for health and safety or other requirements may result in civil liabilities and administrative penalties, such as compensation for damages, fines, confiscation of products illegally manufactured or sold and the proceeds from the sales of such products illegally manufactured or sold and even revoking business license; in addition, severe violations may subject the responsible individual or enterprise to criminal liabilities.

According to the *Consumers Rights and Interests Protection Law of the People's Republic of China*, or the Consumers Rights and Interests Protection Law, which became effective on January 1, 1994 and was amended by the SCNPC on August 27, 2009 and October 25, 2013, business operators should guarantee that the products and services they provide satisfy the requirements for personal or property safety, and provide consumers with authentic information about the quality, function, usage and term of validity of the products or services. The consumers whose interests have been damaged due to the products or services that they purchase or accept on the Internet trading platforms may claim damages to sellers or service providers. Where the operators of the online trading 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 to the operators of the online trading platforms. Operators of online trading platforms that clearly knew 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.

On January 6, 2017, the SAIC issued the *Interim Measures for Seven-day Unconditional Return of Online Purchased Goods*, which became effective on March 15, 2017 and amended by the SAMR on October 23, 2020, further clarifying the scope of consumers' rights to make returns without a reason, including exceptions, return procedures and online trading platform operators' responsibility to formulate seven-day unconditional return rules and related consumer protection systems, and supervise the merchants for compliance with these rules.

#### **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 of the People's Republic of China*, or the Pricing Law, promulgated by the SCNPC on December 29, 1997 and became effective on May 1, 1998, 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 and fines. The business operators may be ordered to suspend business for rectification or have their business licenses revoked under severe circumstances.



### **Regulations Relating to Management of Importing Goods**

According to the *Customs Law of the People's Republic of China*, promulgated by the SCNPC on January 22, 1987, amended on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016 and November 4, 2017, and became effective as from November 5, 2017, unless otherwise provided for, the declaration of import or export commodities and the payment of duties may be made by the consignees or consigners themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for imported or exported commodities and the customs brokers engaged in customs declaration shall register with the Customs for their declaration activities in accordance with the laws. The declaration of inward and outward articles and payment of duties on them may be made by the owners of the articles themselves or by the persons they have entrusted with the work.

According to the *Foreign Trade Law of the People's Republic of China*, promulgated by the SCNPC on May 12, 1994, amended on April 6, 2004 and November 7, 2016, and effective as from November 7, 2016, and the *Measures for the Archival Filing and Registration of Foreign Trade Business Operators*, promulgated by the MOFCOM on June 25, 2004 and became effective on July 1, 2004 and further revised on August 18, 2016 and November 30, 2019, foreign trade operators engaged in goods or technology import and export shall go through the registration for record formalities with the MOFCOM or its entrusted institutions, except for those that are exempted from the registration for record formalities in accordance with the laws, administrative regulations and the rules of the MOFCOM. Customs will decline to carry out customs clearance and inspection procedures for the import and export of goods for operators that fail to go through the registration for record formalities.

Pursuant to the *Notice of the Ministry of Commerce on Relevant Issues Concerning the Filing and Registration of Right to Foreign Trade of Foreign-invested Enterprises* issued by the MOFCOM on August 17, 2004 and effective as of the same date, any FIEs established after July 1, 2004 that engage in import or export of self-use or self-produced goods and technologies of this enterprise need not go through the registration for record formalities for foreign trade operators.

The principal regulations on the inspection of import and export of commodities are set out in the *Import and Export Commodity Inspection Law of the People's Republic of China* promulgated by the SCNPC on February 21, 1989 and amended on April 28, 2002, June 29, 2013, April 27, 2018 and December 29, 2018 and its implementation rules. According to the aforesaid laws and regulations, the imported and exported commodities that are subject to compulsory inspection listed in the catalog compiled by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC shall be inspected by the commodity inspection authorities, and the imported and exported commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors or their entrusted agents may apply for inspection to the commodity inspection authorities.

Pursuant to the *Administrative Measures for the Import and Export of Goods of the People's Republic of China* which were issued by the State Council on December 10, 2001 and became effective on January 1, 2002, the PRC government implements a unified administrative system for the import and export of goods, which allows free import and export of goods and maintains the fairness and orderliness of the import and export of goods according to law. Unless clearly provided in laws and administrative regulations that the import or export of goods is forbidden or restricted, no entity or individual may establish or maintain prohibitive or restrictive measures over the import and export of goods.

### **Regulations Relating to Leasing**

Pursuant to the *Law on Administration of Urban Real Estate of the People's Republic of China* promulgated by the SCNPC on July 5, 1994, amended on August 30, 2007, August 27, 2009 and August 26, 2019, and which took effect on January 1, 2020, 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 Civil Code*, 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.

Meanwhile, pursuant to the *PRC Civil Code*, 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 Advertising**

In 1994, the SCNPC promulgated the *Advertising Law of the People's Republic of China*, or the Advertising Law, which was recently revised on April 24, 2015, October 26, 2018 and became effective on the same date. The Advertising Law regulates commercial advertising activities in the PRC and sets out the obligations of advertisers, advertising operators, advertising publishers and advertisement endorser, and prohibits any advertisement from containing any obscenity, pornography, gambling, superstition, terrorism or violence-related content. Any advertiser in violation of such requirements on advertisement content will be ordered to cease publishing such advertisements and imposed a fine ranging from RMB200,000 to RMB1,000,000; in severe circumstances, the business license of such advertiser may be revoked, and the relevant authorities may revoke the approval document for advertisement examination and refuse to accept applications submitted by such advertiser for one year. In addition, any advertising operator or advertising publisher in violation of such requirements will be imposed a fine ranging from RMB200,000 to RMB1,000,000, and the advertisement fee received will be confiscated; in severe circumstances, the business license of such advertising operator or advertising publisher may be revoked.

The *Interim Measures for the Administration of Internet Advertising*, or the Internet Advertising Measures, regulating the Internet-based advertising activities, were adopted by the SAIC on July 4, 2016 and became effective on September 1, 2016. According to the Internet Advertising Measures, Internet advertisers are responsible for the authenticity of the advertisements content and all online advertisements must be marked "Advertisement" so that viewers can easily identify them as such. Publishing and circulating advertisements through the Internet shall not affect the normal use of the Internet by users. It is not allowed to induce users to click on the content of advertisements by any fraudulent means, or to attach advertisements or advertising links in the emails without permission.

The *Interim Administrative Measures for the Examination of Advertisements for Drugs, Medical Devices, Health Food and Formula Food for Special Medical Purposes*, released by the SAMR on December 24, 2019 and which became effective on March 1, 2020, stipulates that advertisements for drugs, medical devices, health food and formula food for special medical purposes shall be examined and approved by market regulation departments or drug administrative departments at provincial level.

### **Regulations Relating to Internet Information Security and Privacy Protection**

PRC governmental authorities have enacted laws and regulations with respect to Internet information security and protection of personal information from any abuse or unauthorized disclosure, and which includes the *Decision of the Standing Committee of the National People's Congress on Internet Security Protection* enacted and amended by the SCNPC on December 28, 2000 and August 27, 2009, respectively, the *Provisions on the Technical Measures for Internet Security Protection* issued by the Ministry of Public Security on December 13, 2005 and took effect on March 1, 2006, the *Decision of the Standing Committee of the National People's Congress on Strengthening Network Information Protection* promulgated by the SCNPC on December 28, 2012, the *Several Provisions on Regulating the Market Order of Internet Information Services* promulgated by the MIIT on December 29, 2011, and the *Provisions on Protection of Personal Information of Telecommunication and Internet Users* released by the MIIT on July 16, 2013. Internet information in China is regulated and restricted from a national security standpoint.

The *Provisions on Protection of Personal Information of Telecommunication and Internet Users* regulate the collection and use of users' personal information in the provision of telecommunications services and Internet information services in the PRC. Telecommunication business operators and Internet service providers are required to institute and disclose their own rules for the collecting and use of users' information. Telecommunication business operators and Internet service providers must specify the purposes, manners and scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. Telecommunication business operators and Internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. Telecommunication business operators and Internet service providers are required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Once users terminate the use of telecommunications services or Internet information services, telecommunications business operators and Internet information service providers shall stop the collection and use of the personal information of users and provide the users with services for deregistering their account numbers.

The *Provisions on Protecting Personal Information of Telecommunication and Internet Users* further define the personal information of user to include user name, birth date, identification number, address, phone number, account number, passcode, and other information that may be used to identify the user independently or in combination with other information and the timing, places, etc. of the use of services by the users. Furthermore, according to the *Interpretations on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information*, or the Interpretations, issued by the Supreme People's Court and the Supreme People's Procuratorate on May 8, 2017 and which took effect on June 1, 2017, personal information means various information recorded electronically or through other manners, which may be used to identify individuals or activities of individuals, including, but not limited to, the name, identification number, contact information, address, user account number and passcode, property ownership and whereabouts.

On November 1, 2015, the *Ninth Amendment to the Criminal Law of the People's Republic of China* issued by the SCNPC became effective, pursuant to which, any Internet service provider that fails to comply with obligations related to Internet information security administration as required by applicable laws and refuses to rectify upon order is subject to criminal penalty for (i) any large-scale dissemination of illegal information; (ii) any severe consequences due to the leakage of the user information; (iii) any serious loss of criminal evidence; or (iv) other severe circumstances. Furthermore, any individual or entity that (i) sells or distributes personal information in a manner which violates relevant regulations, or (ii) steals or illegally obtains any personal information is subject to criminal penalty in severe circumstances.

On June 1, 2017, the *Cyber Security Law of the People's Republic of China*, or the Cyber Security Law, promulgated by SCNPC took effect, which is formulated to maintain the network security, safeguard the cyberspace sovereignty, national security and public interests, protect the lawful rights and interests of citizens, legal persons and other organizations, and requires that a network operator, which includes, among others, Internet information services providers, take technical measures and other necessary measures to safeguard the safe and stable operation of the networks, effectively respond to the network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Cyber Security Law reaffirms the basic principles and requirements set forth in other existing laws and regulations on personal information protections and strengthens the obligations and requirements of Internet service providers, which include, but are not limited to: (i) keeping all user information collected strictly confidential and setting up a comprehensive user information protection system; (ii) abiding by the principles of legality, rationality and necessity in the collection and use of user information and disclosure of the rules, purposes, methods and scopes of collection and use of user information; and (iii) protecting users' personal information from being leaked, tampered with, destroyed or provided to third parties. Any violation of the provisions and requirements under the Cyber Security Law and other related regulations and rules may result in administrative liabilities such as warnings, fines, confiscation of illegal gains, revocation of licenses, suspension of business, and shutting down of websites, or, in severe cases, criminal liabilities. After the release of the Cyber Security Law, on May 2, 2017, the CAC issued the Measures for Security Reviews of Network Products and Services (Trial), which was later replaced by the Measures for Cybersecurity Review, or the Review Measures, which become effective on June 1, 2020. The Review Measures establish the basic framework and principle for national security reviews of network products and services.

On August 22, 2019, the CAC promulgated the *Provisions on the Cyber Protection of Children's Personal Information*, which became effective on October 1, 2019, requiring that before collecting, using, transferring or disclosing the personal information of a child, the Internet service operator should inform the child's guardians in a noticeable and clear manner and obtain their consents. Meanwhile, Internet service operators should take measures like encryption when storing children's personal information.

The recommended national standard, the Information Security Technology Personal Information Security Specification, puts forward specific refinement requirements on the collection, preservation, use and commission processing, sharing, transfer, public disclosure, etc. Although it is not mandatory, in the absence of clear implementation rules and standards for the law on cybersecurity and other personal information protection, it will be used as the basis for judging and making determinations. On November 28, 2019, the Notice of Identification Method of Application Illegal Collection and Use of Personal Information was issued, which provides a reference for the identification of App's illegal collection and use of personal information, and provides guidance for App operators' self-inspection and self-correction and netizens' social supervision.

#### **Regulations Relating to Intellectual Property**

China has adopted comprehensive legislation governing intellectual property rights, including copyrights, trademarks, patents and domain names. China is a signatory to the primary international conventions on intellectual property rights and has been a member of the Agreement on Trade Related Aspects of Intellectual Property Rights since its accession to the World Trade Organization in December 2001.

## Copyright

On September 7, 1990, the SCNPC promulgated the *Copyright Law of the People's Republic of China*, or the Copyright Law, effective on June 1, 1991, which was amended on October 27, 2001, February 26, 2010, and November 11, 2020, respectively, with the latest amendment to take effect on June 1, 2021. The amended Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Center of China.

Under the *Regulations on the Protection of the Right to Network Dissemination of Information* that took effect on July 1, 2006 and was amended on January 30, 2013, it is further provided that an Internet information service provider may be held liable under various situations, including that if it knows or should reasonably have known a copyright infringement through the Internet and the service provider fails to take measures to remove or block or disconnect links to the relevant content, or, although not aware of the infringement, the Internet information service provider fails to take such measures upon receipt of the copyright holder's notice of such infringement.

In order to further implement the *Regulations on Computer Software Protection*, promulgated by the State Council on December 20, 2001 and amended on January 8, 2011 and January 30, 2013, respectively, the National Copyright Administration issued the *Measures for the Registration of Computer Software Copyright* on February 20, 2002, which specify detailed procedures and requirements with respect to the registration of software copyrights.

## Trademark

According to the *Trademark Law of the People's Republic of China* promulgated by the SCNPC on August 23, 1982, and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, respectively, the Trademark Office of the China National Intellectual Property Administration is responsible for the registration and administration of trademarks in China. The China National Intellectual Property Administration is responsible for resolving trademark disputes. Registered trademarks are valid for ten years from the date the registration is approved. A registrant may apply to renew a registration within twelve months before the expiration date of the registration. If the registrant fails to apply in a timely manner, a grace period of six additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. Renewed registrations are valid for ten years. On April 29, 2014, the State Council issued the revised *Implementing Regulations of the Trademark Law of the People's Republic of China*, which specified the requirements of applying for trademark registration and renewal.

## Patent

According to the *Patent Law of the People's Republic of China*, or the Patent Law, promulgated by the SCNPC on March 12, 1984 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, respectively, and the *Implementation Rules of the Patent Law of the People's Republic of China*, or the Implementation Rules of the Patent Law, promulgated by the State Council on June 15, 2001 and revised on December 28, 2002 and January 9, 2010, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective administrative areas. The Patent Law and Implementation Rules of the Patent Law provide for three types of patents, namely "inventions," "utility models" and "designs". Invention patents are valid for twenty years, while utility model patents and design patents are valid for ten years, from the date of application. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third Parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

## Domain Names

On August 24, 2017, the MIIT promulgated the *Administrative Measures for Internet Domain Names*, or the Domain Name Measures, which became effective on November 1, 2017.

## Regulations Relating to Foreign Exchange

The principal regulations governing foreign currency exchange in China are the *Administrative Regulations on Foreign Exchange of the People's Republic of China*, or the Foreign Exchange Administrative Regulation, which was promulgated by the State

Council on January 29, 1996, which became effective on April 1, 1996 and was subsequently amended on January 14, 1997 and August 5, 2008, respectively, and the *Administrative Regulations on Foreign Exchange Settlement, Sales and Payment* which was promulgated by the People's Bank of China, or the PBOC, on June 20, 1996 and became effective on July 1, 1996. Under these 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 State Foreign Exchange Administration of the People's Republic of China, or the SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items such as the repayment of foreign currency-denominated loans, direct investment overseas and investments in securities or derivative products outside of the PRC. FIEs are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC.

On March 30, 2015, SAFE promulgated the *Notice on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises*, or the SAFE Circular 19, which took effect on June 1, 2015. According to SAFE Circular 19, the foreign currency capital contribution to an FIE in its capital account may be converted into RMB on a discretionary basis.

On June 9, 2016, the SAFE promulgated the *Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts*, or the SAFE Circular 16. The SAFE Circular 16 unifies the discretionary foreign exchange settlement for all the domestic institutions. The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the discretionary foreign exchange settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) that can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties in accordance with the Foreign Exchange Administrative Regulation and relevant provisions.

Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by FIEs shall follow the principles of authenticity and self-use within the business scope of the enterprises. The foreign exchange incomes of capital accounts and capital in RMB obtained by the FIE from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations; (iii) for granting loans to non-affiliated enterprises, unless otherwise permitted by its business scope; and (iv) for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

On October 23, 2019, SAFE promulgated the SAFE Circular 28, which stipulates that non-investment FIEs may use capital to carry out domestic equity investment in accordance with the law under the premises of not violating the Negative List and that the projects invested are true and in compliance with laws and regulations.

#### ***Regulations Relating to Dividend Distributions***

The principal regulations governing the distribution of dividends paid by wholly foreign-owned enterprises, or WFOEs, include the Company Law of the PRC. Under these regulations, WFOEs in China may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, an FIE in China is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until its cumulative total reserve funds reaches 50% of its registered capital. These reserve funds, however, may not be distributed as cash dividends.

#### ***Regulations Relating to Offshore Special Purpose Companies Held by PRC Residents***

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* on May 11, 2013, amended on October 10, 2018 and December 30, 2019, respectively, 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.

SAFE promulgated *Notice on Issues Relating to Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles*, or the SAFE Circular 37, on July 4, 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and term of operation), capital increase or capital reduction, transfers or exchanges of shares, or mergers or divisions. SAFE Circular 37 was issued to replace the *Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purposes Vehicles*.

SAFE further enacted the *Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment*, or the SAFE Circular 13, which allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. However, remedial registration applications made by PRC residents that previously failed to comply with the SAFE Circular 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary.

On January 26, 2017, SAFE issued the *Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control*, or the SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

#### **Regulations Relating to Stock Incentive Plans**

According to the *Notice of the State Administration of Foreign Exchange on Issues Relating to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company*, or the Share Incentive Rules, which was issued on February 15, 2012 and other regulations, directors, supervisors, senior management and other employees participating in any share incentive plan of an overseas publicly listed company who are PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, subject to certain exceptions, are required to register with the SAFE. All such participants need to authorize a qualified PRC agent, such as a PRC subsidiary of the overseas publicly listed company to register with the SAFE and handle foreign exchange matters such as opening accounts, transferring and settlement of the relevant proceeds. The Share Incentive Rules further require an offshore agent to be designated to handle matters in connection with the exercise of share options and sales of proceeds for the participants of the share incentive plans. Failure to complete the said SAFE registrations may subject our participating directors, supervisors, senior management and other employees to fines and legal sanctions.

In addition, the SAT has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, employees working in the PRC who exercise stock options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company are required to file documents related to employee stock options and restricted shares with relevant tax authorities and to withhold individual income taxes for employees who exercise their stock option or purchase restricted shares. If the employees fail to pay or the PRC subsidiaries fail to withhold income tax in accordance with relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC governmental authorities.

#### **Regulations Relating to Taxation**

##### *Income tax*

According to the *Enterprise Income Tax Law of the People's Republic of China*, or the EIT Law, which was promulgated on March 16, 2007, became effective as from January 1, 2008 and amended on February 24, 2017 and December 29, 2018, an enterprise established outside the PRC with de facto management bodies within the PRC is considered as a resident enterprise for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. The *Implementing Rules of the Enterprise Income Law of the People's Republic of China*, or the Implementing Rules of the EIT Law, defines a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production

and operations, personnel, accounting, and properties” of the enterprise. Non-PRC resident enterprises without any branches in the PRC pay an enterprise income tax in connection with their income originating from the PRC at the tax rate of 10%.

Enterprises that are recognized as high and new technology enterprises in accordance with the Administrative Measures for the Determination of High and New Tech Enterprises issued by the Ministry of Science, the MOF and the SAT are entitled to enjoy a preferential enterprise income tax rate of 15%. The validity period of the high and new technology enterprise qualification shall be three years from the date of issuance of the certificate. An enterprise can re-apply for such recognition as a high and new technology enterprise before or after the previous certificate expires.

On February 3, 2015, the SAT issued the Announcement on *Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises*, or the SAT Circular 7. The SAT Circular 7 repeals certain provisions in the *Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Income from Equity Transfer by Non-Resident Enterprises*, or the SAT Circular 698, issued by SAT on December 10, 2009 and the *Announcement on Several Issues Relating to the Administration of Income Tax on Non-resident Enterprises* issued by SAT on March 28, 2011 and clarifies certain provisions in the SAT Circular 698. The SAT Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities’ scrutiny on, indirect transfers by a non-resident enterprise of assets (including assets of organizations and premises in PRC, immovable property in the PRC, equity investments in PRC resident enterprises), or the PRC Taxable Assets. For instance, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, the SAT Circular 7 allows the Chinese tax authorities to reclassify the indirect transfer of PRC Taxable Assets into a direct transfer and therefore impose a 10% rate of PRC enterprise income tax on the non-resident enterprise. The SAT Circular 7 lists several factors to be taken into consideration by tax authorities in determining if an indirect transfer has a reasonable commercial purpose. However, regardless of these factors, the overall arrangements in relation to an indirect transfer satisfying all the following criteria will be deemed to lack a reasonable commercial purpose: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from PRC Taxable Assets; (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 during the one-year period before the indirect transfer, 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 and branches that directly or indirectly hold the PRC Taxable Assets 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 Assets is lower than the potential PRC tax on the direct transfer of those assets. On the other hand, indirect transfers falling into the scope of the safe harbors under the SAT Circular 7 will not be subject to PRC tax under the SAT Circular 7. The safe harbors include qualified group restructurings, public market trades and exemptions under tax treaties or arrangements.

On October 17, 2017, SAT issued the *Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises*, or the SAT Circular 37, which took effect on December 1, 2017. According to the SAT Circular 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income. Equity transfer income shall mean the consideration collected by the equity transferor from the equity transfer, including various income in monetary form and non-monetary form. Equity net value shall mean the tax computation basis for obtaining the said equity. The tax computation basis for equity shall be: (i) the capital contribution costs actually paid by the equity transferor to a Chinese resident enterprise at the time of investment and equity participation, or (ii) the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of the said equity. Where there is reduction or appreciation of value during the equity holding period, and the gains or losses may be confirmed pursuant to the rules of the finance and tax authorities of the State Council, the equity net value shall be adjusted accordingly. When an enterprise computes equity transfer income, it shall not deduct the amount in the shareholders’ retained earnings such as undistributed profits, etc. of the investee enterprise, which may be distributed in accordance with the said equity. In the event of partial transfer of equity under multiple investments or acquisitions, the enterprise shall determine the costs corresponding to the transferred equity in accordance with the transfer ratio, out of all costs of the equity.

Under the SAT Circular 7 and the *Law of the People’s Republic of China on the Administration of Tax Collection* promulgated by the SCNPC on September 4, 1992 and newly amended on April 24, 2015, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to make withholding or withhold the full amount of tax payable, the transferor of equity shall declare and pay tax to the relevant tax authorities within seven days from the occurrence of tax payment obligation. Where the withholding agent does not make the withholding, and the transferor of the equity does not pay the tax payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty ranging from 50% to 300% of the unpaid tax on them. The penalty imposed on the withholding agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with the SAT Circular 7.

#### *Withholding tax on dividend distribution*

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the Implementing Rules of the EIT Law which reduced the rate from 20% to 10%, became effective from January 1, 2008. However, a lower withholding tax rate might be applied if there is a tax treaty between China and the jurisdiction of the foreign holding companies, for example, pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from the tax authority in charge.

Based on the *Notice on Relevant Issues Relating to the Enforcement of Dividend Provisions in Tax Treaties* issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to a structure or an arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement of the State Administration of Taxation on Issues Concerning “Beneficial Owners” in Tax Treaties, which was promulgated on February 3, 2018 and came into effect on April 1, 2018. If the company’s activities do not constitute substantive business activities, it will be analyzed according to the actual situation of the specific case, which may not be conducive to the determination of its “beneficiary owner” capacity, and thus may not enjoy the concessions under the Double Tax Avoidance Arrangement.

#### *Value-added tax*

Pursuant to the *Interim Regulations on Value-Added Tax of the People’s Republic of China*, which was promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the *Implementation Rules for the Interim Regulations on Value-Added Tax of the People’s Republic of China*, which was promulgated by the MOF on December 25, 1993 and amended on December 15, 2008 and October 28, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or import of goods within the territory of the PRC shall pay value-added tax, or the VAT. Unless provided otherwise, the rate of VAT is 17% on sales and 6% on the services. On April 4, 2018, MOF and SAT jointly promulgated the *Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates*, or the Circular 32, according to which (i) for VAT taxable sales acts or import of goods originally subject to VAT rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for purchase of agricultural products originally subject to tax rate of 11%, such tax rate shall be adjusted to 10%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 16%, such tax shall be calculated at the tax rate of 12%; (iv) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (v) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%. Circular 32 became effective on May 1, 2018 and shall supersede existing provisions which are inconsistent with Circular 32.

Since November 16, 2011, the MOF and the SAT have implemented the *Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax*, or the VAT Pilot Plan, which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nationwide application in 2013. According to the Implementation Rules for the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax released by the MOF and the SAT on the VAT Pilot Program, the “modern service industries” include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. The *Notice on Comprehensively promoting the Pilot Plan of the Conversion of Business Tax to Value-Added Tax*, as amended, sets out that VAT in lieu of business tax be collected in all regions and industries.

On March 20, 2019, MOF, SAT and GAC jointly promulgated the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform*, which became effective on April 1, 2019 and provides that (i) with respect to VAT taxable sales acts or import of goods originally subject to VAT rates of 16% and 10%, respectively, such tax rates shall be adjusted to 13% and 9%, respectively; (ii) with respect to purchase of agricultural products originally subject to tax rate of 10%, such tax rate shall be adjusted to 9%; (iii) with respect to purchase of agricultural products for the purpose of production or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the tax rate of 10%; (iv) with respect to export of goods and services originally subject to tax rate of 16% and export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%; and (v) with respect to export of goods and cross-border taxable acts originally subject to tax rate of 10% and export tax refund rate of 10%, the export tax refund rate shall be adjusted to 9%.



### **Regulations Relating to Employment**

The *Labor Contract Law of the People's Republic of China*, or 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. In addition, if an employer intends to enforce a non-compete provision in an employment contract or non-competition agreement with an employee, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or expiry of the labor contract. Employers in most cases are also required to provide 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.

On December 28, 2012, the Labor Contract Law was amended to impose more stringent requirements on labor dispatch which became effective on July 1, 2013. Pursuant to the amended Labor Contract Law, the dispatched contract workers shall be entitled to equal pay for equal work as a full-time employee of an employer, and they shall only be engaged to perform temporary, ancillary or substitute works, and an employer shall strictly control the number of dispatched contract workers so that they do not exceed a certain percentage of total number of employees. "Temporary work" means a position with a term of less than six months; "auxiliary work" means a non-core business position that provides services for the core business of the employer; and "substitute worker" means a position that can be temporarily replaced with a dispatched contract worker for the period that a regular employee is away from work for vacation, study or for other reasons. According to the *Interim Provisions on Labor Dispatch*, or the Labor Dispatch Provisions, promulgated by the MOHRSS on January 24, 2014, which became effective on March 1, 2014, (i) the number of dispatched contract workers hired by an employer should not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers); (ii) in the case that the number of dispatched contract workers exceeds 10% of the total number of its employees at the time when the Labor Dispatch Provisions became effective (i.e., March 1, 2014), the employer shall formulate a plan to reduce the number of its dispatched contract workers to below the statutory cap prior to March 1, 2016, and (iii) such plan shall be filed with the local bureau of human resources and social security. Nevertheless, the Labor Dispatch Provisions do not invalidate the labor contracts and dispatch agreements entered into prior to December 28, 2012. In addition, the employer shall not hire any new dispatched contract worker before the number of its dispatched contract workers is reduced to below 10% of the total number of its employees.

### **Regulations Relating to M&A**

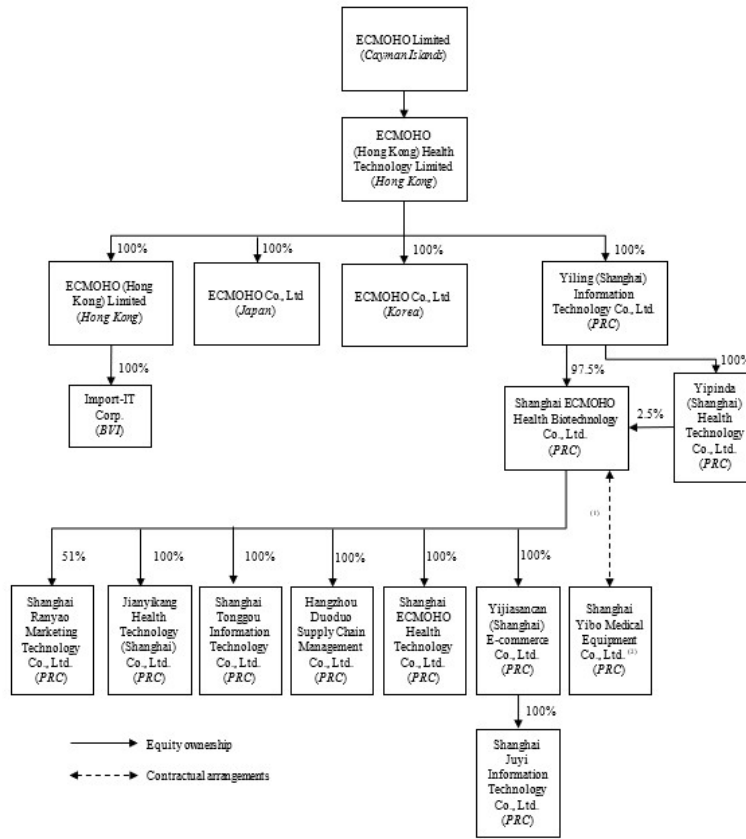
On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the *Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors*, or the M&A Rules, which became effective on September 8, 2006 and were amended on June 22, 2009. The M&A Rules and other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand.

In addition, according to the *Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* issued by the General Office of the State Council on February 3, 2011 and which became effective 30 days thereafter, the *Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors* issued by the MOFCOM on August 25, 2011 and which became effective on September 1, 2011, mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the regulations prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement.

**C. Organizational Structure.**

We conduct our business in China through our various subsidiaries and variable interest entity. In April 2020, we divested our interests in Xianggui (Shanghai) Biotechnology Co., Ltd., which is the PRC subsidiary party to the contractual arrangements with Yang Infinity and its subsidiary Yinchuan Xianggui Internet Hospital Co., Ltd. See “—A. History and Development of the Company—Divestment of our interest in the XG Health platform” and “Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions—B. Divestment of equity interest in Xianggui Shanghai and deconsolidation of Yang Infinity” for more information.

The following diagram illustrates our corporate structure and the place of incorporation of each of our company, significant subsidiaries, and variable interest entity as of the date of this annual report on Form 20-F.



(1) Contractual arrangements include an exclusive technology consulting and service agreement, powers of attorney, an equity pledge agreement, an exclusive call option agreement and spousal consent letters.

(2) Shanghai Yibo Medical Equipment Co., Ltd. is our variable interest entity in China, and is 50% owned by Ms. Wang and 50% owned by Mr. Zeng, our co-founders.

#### **Contractual Arrangements with Our Variable Interest Entity**

PRC laws and regulations impose restrictions on foreign ownership and investment in, among other areas, Internet-based businesses such as provision of online information and other value-added telecommunications services. Similar to all other entities with foreign-incorporated holding company structures in our industry in China, we operated our Internet-based business in the PRC through our subsidiaries and variable interest entity, Shanghai Yibo. To comply with PRC laws and regulations, we have entered into a series of contractual arrangements with Shanghai Yibo, which is wholly owned by PRC citizens. Over the course of fiscal year 2020, our variable interest entity continues to hold the ICP licenses and other regulated licenses and operates our Internet-based business in which foreign investment is restricted or prohibited.

Based on these contractual arrangements, we are able to:

- exercise effective control over the variable interest entity;
- receive substantially all of the economic benefits from the variable interest entity; and
- have an exclusive option to purchase all or part of the equity interest in the variable interest entity when, and to the extent, permitted by PRC law.

As a result of these contractual arrangements, over the course of fiscal year 2020, we have become the primary beneficiary of our variable interest entity under U.S. GAAP. We have consolidated the financial results of our variable interest entity in our consolidated financial statements in accordance with U.S. GAAP. Up to December 31, 2020, the operations of our variable interest entity were still in a preliminary stage and had immaterial impact on the consolidated financials of our business.

As described in “Item 4. Information on the Company—A. History and Development of the Company—Divestment of our interest in the XG Health platform,” in April 2020, we divested our 60% equity interests in Xianggui Shanghai and, thereby, the contractual arrangements with Yang Infinity, which used to be one of our variable interest entities, and its wholly owned subsidiary Yinchuan Xianggui. The following summary of the contractual arrangements with our variable interest entity and its shareholders refers to Shanghai Yibo, our current variable interest entity, only.

#### **Agreements That Allow Us to Receive Substantially All Economic Benefits from Our Variable Interest Entity**

**Exclusive Technology Consulting and Service Agreements.** Under the exclusive technology consulting and service agreement between ECMOHO Shanghai and Shanghai Yibo, ECMOHO Shanghai has the exclusive right to provide to Shanghai Yibo consulting and services related to, among other things, research and development, system operation, advertising, internal training and technical support. ECMOHO Shanghai has the exclusive ownership of intellectual property rights created as a result of the performance of this agreement. In exchange, Shanghai Yibo agrees to pay ECMOHO Shanghai an annual service fee, at an amount that is agreed by ECMOHO Shanghai. Unless ECMOHO Shanghai provides valid notice of termination 90 days prior to the term of agreement ending, this agreement will remain effective for 10 years to be automatically renewed for another 10 years thereafter.

#### **Agreements That Provide Us with Effective Control over Our Variable Interest Entity**

**Powers of Attorney.** Each of the shareholders of Shanghai Yibo has executed a power of attorney to irrevocably appoint ECMOHO Shanghai or its designated person as its attorney-in-fact to exercise all of its rights as a shareholder of Shanghai Yibo, including, but not limited to, the right to convene and attend shareholder meetings, vote on any resolution that requires a shareholder vote, such as the appointment or removal of directors and executive officers, and other voting rights pursuant to the then-effective articles of association of Shanghai Yibo. Each power of attorney will remain in force for so long as the controlling shareholders remain the shareholders of Shanghai Yibo.

**Equity Pledge Agreements.** Pursuant to the equity pledge agreement among ECMOHO Shanghai, Shanghai Yibo, and the shareholders of Shanghai Yibo, the shareholders pledged all of their equity interests in Shanghai Yibo to guarantee their and Shanghai Yibo's performance of their obligations under the contractual arrangements including the exclusive technology consulting and service agreement, the exclusive option agreement and the power of attorney. In the event of a breach by Shanghai Yibo or its shareholders of contractual obligations under these agreements, ECMOHO Shanghai, as pledgee, will have the right to dispose of the pledged equity interests in Shanghai Yibo. The shareholders of Shanghai Yibo also undertake that, during the term of the equity pledge agreement, they will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests. During the term of the equity pledge agreement, ECMOHO Shanghai has the right to receive all of the dividends and profits distributed on the pledged equity interests. The equity pledge for our variable interest equity has been registered with local PRC authorities.

**Spousal Consent Letters.** Pursuant to the spousal consent letter, each of the respective spouse of the shareholders of Shanghai Yibo, unconditionally and irrevocably agreed that the equity interest in Shanghai Yibo held by and registered in the name of his/her spouse will be disposed of pursuant to the equity pledge agreement, the exclusive call option agreement and the power of attorney. The spouse agreed not to assert any rights over the equity interest in Shanghai Yibo held by his/her spouse. In addition, in the event that the spouse obtains any equity interest in Shanghai Yibo held by his/her spouse for any reason, the spouse agreed to be bound by the contractual arrangements.

**Agreements That Provide Us with the Option to Purchase the Equity Interests in Our Variable Interest Entity**

**Exclusive Call Option Agreements.** Pursuant to the exclusive call option agreement between ECMOHO Shanghai, Shanghai Yibo and its shareholders, the shareholders of Shanghai Yibo irrevocably grant ECMOHO Shanghai an exclusive option to purchase, at its discretion, or have its designated person to purchase, to the extent permitted under PRC law, all or part of the equity interests in Shanghai Yibo. The purchase price shall be the lowest price permitted by applicable PRC law. In addition, Shanghai Yibo has granted ECMOHO Shanghai an exclusive option to purchase, at its discretion, or have its designated person to purchase, to the extent permitted under PRC law, all or part of Shanghai Yibo's assets at the book value of such assets, or at the lowest price permitted by applicable PRC law, whichever is higher. The shareholders of Shanghai Yibo undertake that, without our prior written consent or the prior written consent of ECMOHO Shanghai, they may not increase or decrease the registered capital, dispose of its assets, incur any debt or guarantee liabilities, enter into any material purchase agreements, conduct any merger, acquisition or investments, amend its articles of association or provide any loans to third parties. The exclusive call option agreement will remain effective until all equity interest in Shanghai Yibo held by its shareholders and all assets of Shanghai Yibo are transferred or assigned to ECMOHO Shanghai or its designated representatives.

In the opinion of Commerce & Finance Law Offices, our PRC counsel, the ownership structure of our variable interest entity currently does not result in any violation of the applicable PRC laws or regulations currently in effect, and the agreements under the contractual arrangements among us, our variable interest entity and its shareholders are governed by PRC laws or regulations, and are currently valid, binding and enforceable in accordance with the applicable PRC laws and regulations currently in effect, and do not result in any violation of the applicable PRC laws or regulations currently in effect.

However, our PRC counsel, Commerce & Finance Law Offices, advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC counsel. If the PRC government finds the agreements that establish our Internet-based business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, 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" and "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China."

In addition, the shareholders of our VIE, Ms. Zoe Wang and Mr. Leo Zeng, may have potential conflicts of interest with us. These shareholders may breach, or cause our VIE to breach, or refuse to renew, the existing contractual arrangements we have with them and our VIE, which would have a material adverse effect on our ability to effectively control our VIE and receive substantially all the economic benefits from it. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure."

**D. Property, Plants and Equipment**

Our corporate headquarters are located in Shanghai. We also lease warehouse space in Wuhu and Hangzhou. As of December 31, 2020, we leased an aggregate of approximately 5,510 square meters of office space and an aggregate of approximately 46,000 square meters of warehouse space. We believe that our existing properties and facilities are generally adequate for our current needs, but we expect to seek additional space as needed to accommodate our future growth.

**Item 4A. Unresolved Staff Comments**

None.

**Item 5. Operating and Financial Review and Prospects**

**A. Operating Results**

The following discussion of our financial condition and results of operations should be read together with the information included under “Item 3. Key Information—A. Selected Financial Data,” “Item 4. Information on the Company” and the Consolidated Financial Statements included elsewhere in this document. This discussion includes forward-looking statements, and involves numerous risks and uncertainties, including, but not limited to, those described under “Cautionary Note Regarding Forward-Looking Statements” and “Item 3. Key Information—D. Risk Factors.” Actual results may differ materially from those contained in any forward-looking statements.

**Overview**

We are a leading integrated solution provider in China’s non-medical health and wellness market. We help our brand partners to grow and succeed by leveraging e-commerce integrated solutions comprising e-commerce business solutions, digital marketing services and e-commerce third-party operation management services.

We generate revenues from product sales and services. Product sales revenues are generated through sales to consumers and to retailers, as well as sales from consignment arrangements with certain e-commerce platforms. Services revenues primarily consist of the fixed project-based service fees we charge our brand partners value-added services, such as marketing solutions, as well as operating commissions. Our total net revenues grew by 65.6% from US\$199.0 million in 2018 to US\$329.5 million in 2019 and decreased by 7.4% from US\$329.5 million in 2019 to US\$304.9 million in 2020. Product sales revenues represented 88.5%, 91.7% and 98.4% of our total net revenues in 2018, 2019 and 2020, respectively. Our net income/(loss) attributable to ECMOHO Limited was US\$6.1 million, US\$2.3 million and US\$(13.3) million in 2018, 2019 and 2020, respectively.

**Key Factors Affecting Our Results of Operations**

Our results of operations are affected by the general factors driving China’s health and wellness industry, including:

- rising spending power and health awareness;
- an aging population and increasing life expectancy;
- prevalence of health issues and chronic diseases; and
- increased demand for trustworthy health and wellness products.

Our results of operations are affected by the increasing penetration of mobile Internet and e-commerce. In addition, our results of operations are affected by company-specific factors, including the following:

- *Our ability to expand our product and service offerings.* We mainly generate our revenues by selling products to consumers and retailers and providing services primarily to brand partners. Our ability to expand our product and service offerings is therefore critical to the growth of our revenues.
- *Our ability to retain and attract consumers.* Consumers are central to all of our sources of revenue. They purchase products from us or from retailers with whom we have supply agreements and, through their purchases, provide us with market insights that allow us to provide marketing solutions to our brand partners. We would need to retain existing and attract new consumers to maintain and grow our revenues.
- *Our ability to retain and attract brand partners, retailers and content generators.* Brand partners, retailers and content generators are crucial to our ability to provide consumers with quality products and trustworthy content. See “Item 4. Information on the Company—B. Business Overview” for additional information. We would need to continue to attract new brand partners, retailers and content generators to grow our ecosystem and revenues.

- *Our ability to manage growth, control costs and manage working capital.* Our business growth will result in substantial demands on our management, operational, technological, financial and other resources. Our ability to control cost is key to our success. In addition, our ability to gain better insight into inventory turnover and sales patterns, which allows us to optimize the use of our working capital, may also affect our financial condition and results of operation.
- *Impact of COVID-19.* The outbreak of COVID-19 has had certain negative impact on the overall economy of the countries and regions where we conduct our business. We have experienced and expect to continue to experience increases in international freight costs and disruptions to our supply chains. Additionally, our ability to enter into agreements with new brand partners has been impacted by pandemic related restrictions on business travels. In response to the pandemic, we have started to provide technology solutions to our brand partners, and terminated business relationships with some of our then existing brand partners under which we were subject to less favorable terms. We are currently unable to predict with certainty the duration and severity of the COVID-19 pandemic, and its ultimate impact on our business and results of operations.

## Key Components of Results of Operations

### Net Revenues

We generate revenues from product sales and services. Product sales revenues are generated through sales to consumers and retailers, such as third-party e-commerce platforms as well as sales from consignment arrangements with certain e-commerce platforms. Services revenues primarily consist of the fixed project-based service fees we charge our brand partners for our value-added services, such as designing and running online stores and organizing offline marketing activities. We recorded revenues net of return allowances, value-added tax and sales incentives, if any. See “Item 4. Information on the Company—B. Business Overview—Our Business Model and Services” for additional information.

The following table sets forth the components of our net revenues for the periods indicated:

	Year Ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in thousands of U.S. dollars, except percentages)					
Product sales	176,098	88.5%	302,099	91.7%	300,156	98.4%
Services	22,917	11.5	27,381	8.3	4,783	1.6
Total	199,015	100.0%	329,480	100.0%	304,939	100.0%

We expect to optimize net revenues mix as we continue to promote brand portfolio optimization and expand our channel coverage and service offerings, along with the recovery of China’s economy in the post-COVID-19 era in 2021. Services revenues, as a percentage of our total net revenues, decreased from 11.5% in 2018 to 8.3% in 2019 as we experienced faster growth in our product sales revenue and further decreased from 8.3% in 2019 to 1.6% in 2020 due to a slowdown in the growth of our service revenues during our service department restructuring and upgrade process.

### Cost of Revenues

Cost of revenues consists of cost of product sales and cost of services. Cost of product sales is comprised of the purchase price of the products sourced from our brand partners, purchase rebates and inventory write-downs. Cost of services consists of (i) advertising and promotion fees paid to third parties and (ii) employee wages and benefits, both attributable to the provision of value-added services to our brand partners.

The following table sets forth a breakdown of our cost of revenues:

	Year Ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in thousands of U.S. dollars, except percentages)					
Cost of product sales	128,846	91.9%	242,973	94.4%	242,728	98.5%
Cost of services	11,307	8.1	14,458	5.6	3,572	1.5
Total	140,153	100.0%	257,431	100.0%	246,300	100.0%

Our cost of revenues slightly decreased from US\$257.4 million in 2019 to US\$246.3 million in 2020, which was primarily attributable to a decrease in cost of services, generally in line with the decrease in our service revenues.

## Gross Profit

The following table sets forth our gross profit and gross margin for the periods indicated:

	Year ended December 31,		
	2018	2019	2020
	(in thousands of U.S. dollars, except percentages)		
Gross profit	58,862	72,049	58,639
Gross margin	29.6%	21.9%	19.2%

A key factor affecting our gross margin is the relative revenue contribution of product sales to certain major e-commerce platforms. Products sold to these e-commerce platforms generate a lower gross margin due to the volume discount we offer. Our operating margin, however, is not affected by this factor to the same degree because products sold to these e-commerce platforms incur a smaller amount of sales and marketing expenses and fulfillment expenses per unit than products sold to other customers, which offsets the difference in unit price. Another factor affecting our gross margin is the relative contribution of each product in our total revenue mix. Historically, health supplements have generated higher gross margin while food, water and personal care products have generated lower gross margins.

## Operating Expenses

Our operating expenses consist of fulfillment expenses, sales and marketing expenses, general and administrative expenses, and research and development expenses. The following table sets forth the components of our operating expenses for the periods indicated:

	Year Ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in thousands of U.S. dollars, except percentages)					
Fulfillment expenses	13,097	25.5%	16,957	25.2%	14,399	19.9%
Sales and marketing expenses	27,462	53.5	40,206	59.6	45,754	63.3
General and administrative expenses	9,069	17.7	8,497	12.6	11,037	15.3
Research and development expenses	1,669	3.3	1,808	2.7	1,105	1.5
Other operating income	—	—	(35)	(0.1)	—	—
Total operating expenses	51,297	100.0%	67,433	100.0%	72,295	100.0%

Fulfillment expenses primarily consist of warehousing, shipping and handling costs for dispatching and delivering products to consumers, employee wages and benefits for the relevant personnel, and customs clearance expenses.

Sales and marketing expenses primarily consist of advertising costs for the products we offer, employee wages and benefits for our sales and marketing staff, storefront fees paid to e-commerce platforms on which we operate and represent a pre-determined percentage of our sales revenues on these platforms, and travel and entertainment expenses.

General and administrative expenses mainly consist of employee wages and benefits for corporate employees, rental expenses, audit and legal fees, amortization of both intangible assets and leasehold improvement, and other corporate overhead costs.

Research and development expenses principally consist of employee wages and benefits for research and development personnel, general expenses and depreciation expenses associated with research and development activities.

## **Net Income/(Loss) Attributable to ECMOHO Limited**

Our net income attributable to ECMOHO Limited consists of our net income less our net income/(loss) attributable to the non-controlling interest shareholders and redeemable non-controlling interest shareholders. Our net income/(loss) attributable to ECMOHO Limited was US\$6.1 million, US\$2.3 million and US\$(13.3) million in 2018, 2019 and 2020, respectively.

## **Taxation**

### ***Cayman Islands***

We are incorporated in the Cayman Islands. Under the current tax laws of the Cayman Islands, we are not subject to income, corporation or capital gains tax, and no withholding tax is imposed upon the payment of dividends.

### ***Hong Kong***

Before 2019, our subsidiaries incorporated in Hong Kong were subject to Hong Kong profit tax at a rate of 16.5% on their taxable income generated from operations in Hong Kong. Effective 2019, the applicable income tax rate was changed to 8.25% for profits of up to HK\$2.0 million and 16.5% for the remainder of the taxable income. Dividends income received from subsidiaries in China are not subject to Hong Kong profits tax.

### ***China***

**Income Tax.** According to the EIT Law, which was promulgated on March 16, 2007 and amended in 2017, and its implementing rules, an income tax rate of 25% generally applies to all enterprises incorporated in the PRC. Under the EIT Law, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a resident enterprise for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Although we believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes, PRC income tax at a rate of 25% would generally be applicable to our worldwide income if we were to be considered a PRC resident enterprise.

**Dividend Withholding Tax.** According to the EIT Law and its implementation rules, the profits of a foreign-invested enterprise arising in 2008 and thereafter that are distributed to its immediate holding company outside the PRC are subject to withholding tax at a rate of 10%, but a lower withholding tax rate may be applied if there is a beneficial tax treaty between the PRC and the jurisdiction of the foreign holding company. A holding company in Hong Kong, for example, will be eligible, with approval of the PRC local tax authority, to a 5% withholding tax rate under the Double Tax Avoidance Arrangement, if such holding company is considered a non-PRC resident enterprise and holds at least 25% of the equity interests in the PRC foreign-invested enterprise distributing the dividends. However, the PRC tax authorities will review preferential tax treatment and grant such treatment on a case-by-case basis. Therefore, if such Hong Kong holding company is not considered the beneficial owner of such dividends under applicable PRC tax regulations, such dividend will remain subject to withholding tax at a rate of 10%.

**Value-Added Tax.** Our product sales revenues were subject to value-added tax at a rate ranging from 10% to 17% in 2018. Since April 1, 2019, our product sales revenues have been subject to value-added tax at a rate ranging from 9% to 13%. Our services revenues are subject to value-added tax at a rate of 6%. We are also subject to surcharges on value-added tax payments in accordance with PRC law. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Taxation—Value-added tax” for details.

## **Critical Accounting Policies**

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.



Our principal accounting policies are set forth in Note 2 to our consolidated financial statements included elsewhere in this annual report on Form 20-F. We have identified the following accounting policies as the most critical to an understanding of our financial position and results of operations, because the application of these policies requires significant and complex management estimates, assumptions and judgment, and the reporting of materially different amounts could result if different estimates or assumptions were used or different judgments were made. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

### **Revenue Recognition**

We adopted ASC 2014-09 and its amendments (together, "ASC 606") for all periods presented. According to ASC 606, revenue is recognized when control of the promised good or service is transferred to the customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We follow five steps in revenue recognition: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Our revenues are derived from (i) product sales and (ii) providing services including online store operating services, promotion and marketing services primarily to our brand partners and certain other brand customers.

When either party to a contract has performed, we present the contract on the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. A contract asset is recorded when we have transferred products to the customer before payment is received or is due, and our right to consideration is conditional on future performance or other factors in the contract.

If we recognize a receivable before we transfer products to the customer, we will defer revenue recognition, which is also defined as a contract liability under the new revenue guidance. A contract liability is recorded when our obligation to transfer goods or services to a customer has not yet occurred but we have received consideration from the customer. We present such amounts as advances from customers on the consolidated balance sheet.

#### *Product sales*

We select, purchase and obtain direct control of the goods from our brand partners and/or their authorized distributors and sells goods directly to end consumers through online stores we operate or to secondary distributors in accordance with distribution agreements.

Revenue is recognized when consumers or secondary distributors physically accept the products after delivery, which is when the control of products is transferred, and is recorded net of return allowances, value-added tax and sales incentives, if any.

A majority of our consumers make online payments through third-party payment platforms when they place orders on our online stores. The funds will not be released to us by these third-party payment platforms until the consumers accept the products on the online platform.

Shipping and handling charges paid by customers are included in net revenues. We typically do not charge shipping fees on orders exceeding a certain sale amount. Shipping and handling costs incurred by us are considered to be fulfillment activities which are presented as part of our operating expenses.

#### *Product sales consignment arrangement*

We also enter into arrangement with online platforms, where we retain control over the goods until a sale is made to the end consumer. We consider the arrangement meet the indicators of consignment arrangement under ASC 606-10-55-80, because (i) we do not relinquish control of the products, even though the online platform has physical possession of the goods. The products are considered to be our own inventory until they are sold to the end consumers; (ii) we retain the right to require the return of the goods held with the online platform; (iii) the online platforms have no obligation to pay for the products that are in its physical possession.

Revenue under consignment arrangements is recognized when a sale is made to the end customer and control is transferred to the end customer upon their acceptance in accordance with the sales report provided by the online platforms. Such revenues reflect the consideration paid by end consumers and do not take into account the sales commissions we pay to the relevant online platform, which are recorded as sales and marketing expenses.

#### *Services*

We offer our brand partners and certain other customers marketing solutions tailored to their needs and charge fixed project-based fees, including designing and operating online stores, running online promotional events, organizing online and offline marketing campaigns featuring social media influencers and circulating marketing messages to end-consumers.

For services provided to customers, depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time. Control of the services is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of services.

With respect to our marketing services, the length of the periods over which services are provided is generally within months, we recognize such revenues when service is rendered and a service report is delivered to the customer, which marks the time when control of the service output has passed to the customer.

Consideration from our brand partners is considered to be in exchange for distinct services that we transfer to the brand partner, as (i) services provided to brand partners can be sufficiently separable from our procurement of products from those brand partners, (ii) consideration from the brand partner represents the standalone selling price of such services, and (iii) the fees do not represent reimbursement of costs incurred by us to sell the brand partner's products. We account for the service in the same way that it accounts for sales to other customers and revenues generated from these service arrangements are recognized on a gross basis and presented as services revenue on the consolidated statements of operations and comprehensive income/(loss).

#### *Practical expedients and exemption*

Upon the election of the practical expedient under ASC 340-40-25-4, the incremental costs of obtaining a contract are expensed when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

Since there is no difference between the amount of promised consideration and the price of our products or services, and the actual length of time between our transfer of products or services to our customers and the payment for those products or services is less than one year, we have concluded that there is no significant financing component in place within our product sales or service arrangements as a practical expedient in accordance with ASC 606-10-32-18.

Revenue recognition for products sales and services does not require us to exercise significant judgment or estimate.

#### **Sales returns**

We generally offer consumers an unconditional right of return for a period of seven days upon receipt of products. We also offer certain retailers various rights of return after the acceptance of products. Return allowances, which reduce revenue and costs of sales, are estimated by categories of return policies offered to consumers and retailers, based on our historical data and subject to adjustments to the extent that actual returns differ or are expected to differ.

## **Sales incentives**

We provide sales rebates to certain third-party online platforms/secondary distributors based on their purchase volume, which are accounted for as variable consideration. We estimate these amounts based on the expected amount to be provided to the third-party online platforms/secondary distributors considering the contracted rebate rates and estimated sales volume based on significant management judgments according to historical experience such as the likelihood of reaching the purchase thresholds and sales forecasts, and account for it as a reduction of the transaction price.

## **Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. Provisions are made for excessive, slow moving, expired and obsolete inventories as well as for inventories with carrying values in excess of net realizable value. Certain factors could impact the realizable value of inventory, so we continually evaluate the recoverability based on assumptions about customer demand and market conditions. The evaluation may take into consideration historical usage, inventory aging, expiration date, expected demand, anticipated sales price, new product development schedules, the effect new products might have on the sale of existing products, product obsolescence, customer concentrations, and other factors. The reserve or write-down is equal to the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory reserves or write-downs may be required that could negatively impact our gross margin and operating results. If actual market conditions are more favorable, we may have higher gross margin when products that have been previously reserved or written down are eventually sold.

## **Income taxes**

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions.

Deferred income taxes are accounted for using an asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of operations and comprehensive income/(loss) in the period of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of, the deferred tax assets will not be realized.

## **Share-based compensation**

Share-based compensation expenses are measured at the grant date and categorized as either sales and marketing expenses or general and administrative expenses, depending on the job functions of the grantees.

For the restricted share units granted with service conditions, compensation expense is recognized using the straight-line method over the requisite service period. Forfeitures are estimated at the time of grant, with such estimate updated periodically and with actual forfeitures recognized currently to the extent they differ from the estimate.

For the restricted share units granted with performance conditions whose vesting is contingent upon meeting company-wide performance goals, compensation expenses are recognized using graded vesting method over the requisite service period in accordance with ASC 718 and will be adjusted for subsequent changes in the expected outcome of the performance-vesting condition. For the restricted share units granted with service conditions and the occurrence of an initial public offering as a performance condition, cumulative share-based compensation expenses for the options that have satisfied the service condition will be recorded upon the completion of the initial public offering, using the graded vesting method.

For the restricted share units granted with market conditions whose vesting is contingent on the company's market value exceeding a specific amount, Monte Carlo simulation has been applied to determine the fair value and requisite service period, and the corresponding compensation expense is recognized using the straight-line method over the estimated requisite service period unless the market condition is satisfied before the end of the initially estimated requisite service period.

Starting from November 2019 upon completion of our IPO, we are a publicly traded company with observable price in the U.S stock exchange market to determine the fair value and requisite service period.

#### **Holding Company Structure**

ECMOHO Limited is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and VIE in China. As a result, ECMOHO Limited's ability to pay dividends or otherwise fund and conduct its business depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with their articles of association and PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and VIE in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, our wholly foreign-owned subsidiaries in China and our VIE may allocate a portion of their after-tax profits based on PRC accounting standards to a discretionary surplus fund at their discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

Under PRC laws and regulations, as an offshore holding company, we are only permitted to provide funding to our PRC subsidiaries through loans or capital contributions, and to our VIE through loans, and such funding is subject to applicable government registration and approval requirements in China. As a result, there is uncertainty with respect to our ability to provide prompt financial support to our PRC subsidiaries and VIE, when needed. Notwithstanding the foregoing, our PRC subsidiaries may use their own retained earnings (rather than Renminbi converted from foreign currency denominated capital) to provide financial support to our VIE either through entrustment loans from our PRC subsidiaries or direct loans to the VIE's nominee shareholders, which would be contributed to the VIE as capital injections. Such direct loans to the nominee shareholders would be eliminated in our consolidated financial statements against the VIE's share capital.

## Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods presented, both in absolute terms and as a percentage of our total net revenues for the periods presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report on Form 20-F. The results of operations in any period are not necessarily indicative of our future results of operations or future trends that may impact those results.

	Year Ended December 31,					
	2018		2019		2020	
	Amount	% of total net revenues	Amount	% of total net revenues	Amount	% of total net revenues
	(in thousands of U.S. dollars, except percentages)					
<b>Net Revenues</b>						
Product sales	176,098	88.5%	302,099	91.7%	300,156	98.4%
Services	22,917	11.5	27,381	8.3	4,783	1.6
<b>Total net revenues</b>	<b>199,015</b>	<b>100.0</b>	<b>329,480</b>	<b>100.0</b>	<b>304,939</b>	<b>100.0</b>
<b>Total cost of revenue</b>	<b>(140,153)</b>	<b>(70.4)</b>	<b>(257,431)</b>	<b>(78.1)</b>	<b>(246,300)</b>	<b>(80.8)</b>
<b>Gross profit</b>	<b>58,862</b>	<b>29.6</b>	<b>72,049</b>	<b>21.9</b>	<b>58,639</b>	<b>19.2</b>
<b>Operating expenses:</b>						
Fulfillment expenses	(13,097)	(6.6)	(16,957)	(5.1)	(14,398)	(4.7)
Sales and marketing expenses	(27,462)	(13.8)	(40,206)	(12.2)	(45,754)	(15.0)
General and administrative expenses	(9,069)	(4.6)	(8,497)	(2.6)	(11,037)	(3.6)
Research and development expenses	(1,669)	(0.8)	(1,808)	(0.5)	(1,106)	(0.4)
Other operating income	—	—	35	0.0	—	—
<b>Total operating expenses</b>	<b>(51,297)</b>	<b>(25.8)</b>	<b>(67,433)</b>	<b>(20.5)</b>	<b>(72,295)</b>	<b>(23.7)</b>
<b>Operating income/(loss)</b>	<b>7,565</b>	<b>3.8</b>	<b>4,616</b>	<b>1.4</b>	<b>(13,656)</b>	<b>(4.5)</b>
Finance expenses, net	(926)	(0.4)	(2,513)	(0.8)	(2,615)	(0.9)
Foreign exchange gain/(loss), net	(306)	(0.2)	(393)	(0.1)	979	0.3
Other income, net	234	0.1	475	0.1	1,800	0.6
<b>Income/(loss) before income tax expenses</b>	<b>6,567</b>	<b>3.3</b>	<b>2,185</b>	<b>0.7</b>	<b>(13,492)</b>	<b>(4.4)</b>
Income taxes expenses	(417)	(0.2)	(250)	(0.1)	7	0.0
<b>Net income/(loss)</b>	<b>6,150</b>	<b>3.1%</b>	<b>1,935</b>	<b>0.6%</b>	<b>(13,485)</b>	<b>(4.4)%</b>
<b>Net income(loss) attributable to ECMOHO Limited</b>	<b>6,124</b>	<b>3.1%</b>	<b>2,297</b>	<b>0.7%</b>	<b>(13,299)</b>	<b>(4.4)%</b>

### Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

#### Net Revenues

Our net revenues totaled US\$304.9 million in 2020, representing a decrease of 7.4% from US\$329.5 million in 2019. The decrease in total net revenues was primarily due to an 82.6% decrease in service revenues from US\$27.4 million in 2019 to US\$4.8 million in 2020. Our net revenues generated from product sales remained relatively stable in 2020 as compared to 2019, with a decrease in the sales of mother and child care products from US\$131.9 million in 2019 to US\$118.7 million in 2020, offset by an increase in the sales of health supplements and food products from US\$117.0 million in 2019 and to US\$138.3 million in 2020. The decrease in our net revenues generated from services was mainly due to a slowdown in the growth of our service revenues during our service department restructuring and upgrade process.

#### Cost of Revenues

Our cost of revenues decreased by 4.3% from US\$257.4 million in 2019 to US\$246.3 million in 2020. The decrease was in-line with the decrease of our net revenues, and was mainly driven by a decrease in cost of services from US\$14.5 million in 2019 to US\$3.6 million in 2020, in line with the decrease in our service revenues.

#### Gross Profit

As a result of the foregoing, our gross profit declined by 18.6% from US\$72.1 million in 2019 to US\$58.6 million in 2020. Our gross margin declined from 21.9% in 2019 to 19.2% in 2020, primarily as a result of (i) lower-margin products, including

food and personal care products, representing a larger proportion of our total net revenues, and (ii) the higher contribution of product sales through platforms and distributors that had lower gross margins compared with product sales to consumers.

### **Operating Expenses**

Our total operating expenses increased by 7.2% from US\$67.5 million in 2019 to US\$72.3 million in 2020. Our operating expenses as a percentage of total net revenues increased from 20.5% in 2019 to 23.7% in 2020.

*Fulfillment Expenses.* Our fulfillment expenses decreased by 15.1% from US\$17.0 million in 2019 to US\$14.4 million in 2020. The decrease was primarily due to a 19.3% decrease in logistic expense as we experienced (i) a decrease in the number of product shipments in line with our decreased revenues in 2020 and (ii) lower unit expenses that we paid to third-party logistics providers. As a percentage of total net revenues, our fulfillment expenses decreased from 5.2% in 2019 to 4.7% in 2020.

*Sales and Marketing Expenses.* Our sales and marketing expenses increased by 13.8% from US\$40.2 million in 2019 to US\$45.8 million in 2020. The increase was primarily due to (i) a 34.8% increase in advertising costs from US\$18.0 million in 2019 to US\$24.2 million in 2020 as we launched more promotional events to market our products, and (ii) a 12.8% increase in storefront fees paid to e-commerce platforms from US\$4.5 million in 2019 to US\$5.1 million in 2020 in line with the growth of our sales revenues on these platforms. As a percentage of total net revenues, our sales and marketing expenses increased from 12.2% in 2019 to 15.0% in 2020.

*General and Administrative Expenses.* Our general and administrative expenses increased by 29.9% from US\$8.5 million in 2019 to US\$11.0 million in 2020. The increase was primarily due to (i) a significant increase in professional service fees from US\$2.6 million in 2019 to US\$5.7 million in 2020 in relation to our consulting, audit and legal service expenses and (ii) insurance expense of US\$0.9 million in 2020 as we purchased liability insurances for our directors and officers, offset by an 82.3% decrease in share-based compensation from US\$1.2 million in 2019 to US\$0.2 million in 2020, as an increasing amount of the vesting value of our employees' restricted shares unit was amortized in 2019 as compared to 2020. As a percentage of total net revenues, our general and administrative expenses increased from 2.6% in 2019 to 3.6% in 2020.

*Research and Development Expenses.* Our research and development expenses decreased by 38.9% from US\$1.8 million in 2019 to US\$1.0 million in 2020. The decrease was primarily due to a 41.1% decrease in employee wages and benefits for our research and development personnel from US\$1.7 million in 2019 to US\$1.1 million in 2020 as we cut down our spending on research and development projects due to the COVID-19 in 2020. As a percentage of total net revenues, our research and development expenses decreased from 0.5% in 2019 to 0.4% in 2020.

*Other Operating Income.* We recorded nil in other operating income in 2020.

### **Operating Income/(Loss)**

As a result of the foregoing, we recorded operating loss of US\$13.7 million in 2020 as compared to operating income of US\$4.6 million in 2019.

Our operating margin, defined as our operating income/(loss) divided by our total net revenues, decreased from 1.4% in 2019 to (4.5)% in 2020. The decrease in our operating margin was primarily due to the decrease in gross profit and an increase in operating expenses as a percentage of total net revenues.

### **Finance Expenses, Net**

Our finance expenses slightly increased from US\$2.5 million in 2019 to US\$2.6 million in 2020 primarily due to an increase in our interest expenses. We incurred higher interest expenses in 2020 due to increased loans we borrowed from financial institutions in 2020. Our outstanding loans were repaid as of December 31, 2020, leading to lower loan balance as of December 31, 2020 than that as of December 31, 2019.

### **Foreign Exchange Gains/(Loss), Net**

We recorded foreign exchange gain of US\$1.0 million in 2020, as compared to foreign exchange losses of US\$0.4 million in 2019, due to appreciation of RMB against U.S. dollar when paying our vendors in U.S. dollar in 2020 as opposed to depreciation of RMB against U.S. dollar in 2019.

**Other Income, Net**

Our other income increased significantly to US\$1.8 million in 2020, to US\$475.2 thousand in 2019. The increase was primarily due to government grants of US\$1.8 million that we received in connection with our successful listing in the U.S.

**Income Tax (Expenses)/Benefits**

We recorded income tax benefits of US\$6.5 thousand in 2020 as compared to income tax expenses of US\$250.0 thousand in 2019, primarily due to a decrease in the profits recorded by our subsidiaries.

**Net Income/(Loss)**

As a result of the foregoing, we recorded net loss of US\$13.5 million in 2020 as compared to net income of US\$1.9 million in 2019.

**Net Income/(Loss) attributable to ECMOHO Limited**

We recorded net loss attributable to ECMOHO Limited of US\$13.3 million in 2020 as compared to net income attributable to ECMOHO Limited of US\$2.3 million in 2019.

**Year Ended December 31, 2019 Compared to Year Ended December 31, 2018****Net Revenues**

Our net revenues totaled US\$329.5 million in 2019, representing an increase of 65.6% from US\$199.0 million in 2018. The increase in total net revenues was primarily due to a 71.6% increase in product sales revenues from US\$176.1 million in 2018 to US\$302.1 million in 2019 and, to a lesser extent, a 19.7% increase in services revenues from US\$22.9 million in 2018 to US\$27.4 million in 2019. The increase in product sales revenues was mainly due to the high growth in the sales of products from brand partners as of December 31, 2018, which increased by 73.7% from US\$163.6 million in 2018 to US\$284.2 million in 2019. The increase in services revenue was mainly attributable to the growth in services we provided to brand partners.

**Cost of Revenues**

Our cost of revenues increased significantly from US\$140.2 million in 2018 to US\$257.4 million in 2019. The increase was mainly driven by (i) a 73.0% increase in the number of product units sold from 25.9 million in 2018 to 44.8 million in 2019, (ii) a significant increase in the sales of lower-margin products including water, food and personal care products from US\$19.7 million in 2018 to US\$51.6 million in 2019, and (iii) product sales through platforms and distributors, which had lower gross margin compared with product sales to consumers, representing a higher percentage of total net revenues in 2019.

**Gross Profit**

As a result of the foregoing, our gross profit grew from US\$58.9 million in 2018 to US\$72.1 million in 2019. Our gross margin declined from 29.6% in 2018 to 21.9% in 2019, primarily as a result of lower-margin products, including water, food and personal care products, representing a larger proportion of our total net revenues and the higher contribution of product sales through platforms and distributors that had lower gross margins.

**Operating Expenses**

Our total operating expenses increased by 31.6% from US\$51.3 million in 2018 to US\$67.5 million in 2019. Our operating expenses as a percentage of total net revenues decreased from 25.8% in 2018 to 20.5% in 2019.

*Fulfillment Expenses.* Our fulfillment expenses increased by 29.8% from US\$13.1 million in 2018 to US\$17.0 million in 2019. The increase was primarily due to (i) a 21.6% increase in the number of product shipments due to the growth of our business scale and (ii) a 32.8% increase in the average per-package shipment fees charged by third-party couriers, which was a result of (a) high growth in the sales of mother and child care products, which were generally heavier than products of other categories and had higher transportation costs and (b), to a lesser extent, an increase in market rates. As a percentage of total net revenues, our fulfillment expenses decreased from 6.6% in 2018 to 5.2% in 2019.

**Sales and Marketing Expenses.** Our sales and marketing expenses increased by 46.7% from US\$27.4 million in 2018 to US\$40.2 million in 2019. The increase was primarily due to (i) a 72.7% increase in employee wages and benefits for our sales and marketing staff from US\$7.7 million in 2018 to US\$13.3 million in 2019 resulting from increased headcounts, (ii) a 47.5% increase in advertising costs from US\$12.2 million in 2018 to US\$18.0 million in 2019 as we launched more promotional events and (iii) a 36.4% increase in storefront fees paid to e-commerce platforms from US\$3.3 million in 2018 to US\$4.5 million in 2019 in line with the growth of our sales revenues on these platforms. As a percentage of total net revenues, our sales and marketing expenses decreased from 13.8% in 2018 to 12.2% in 2019.

**General and Administrative Expenses.** Our general and administrative expenses decreased by 6.6% from US\$9.1 million in 2018 to US\$8.5 million in 2019. The decrease was primarily due to (i) a reduction in value added taxes paid, on service fees charged to offshore subsidiaries, from US\$0.9 million in 2018 to US\$0.0 in 2019, which was a result of one of our onshore subsidiaries receiving approval for value added taxes exemption for exports in 2019 and (ii) a reduction in wages from US\$4.2 million in 2018 to US\$2.4 million in 2019, as a result of lower number of employees and lower average compensation per employee, and was offset by an increase in professional service fees from US\$1.2 million in 2018 to US\$2.6 million in 2019. As a percentage of total net revenues, our general and administrative expenses decreased from 4.6% in 2018 to 2.6% in 2019.

**Research and Development Expenses.** Our research and development expenses increased from US\$1.7 million in 2018 to US\$1.8 million in 2019. The increase was primarily due to a 13.3% increase in employee wages and benefits for our research and development personnel from US\$1.5 million in 2018 to US\$1.7 million in 2019 due to various ongoing development projects. As a percentage of total net revenues, our research and development expenses decreased from 0.8% in 2018 to 0.5% in 2019.

**Other Operating Income.** Other operating income mainly consists of value-added tax refund received by the Company's subsidiaries in the PRC from local governments.

#### **Operating Income**

As a result of the foregoing, our operating income decreased 39.5%, from US\$7.6 million in 2018 to US\$4.6 million in 2019.

Our operating margin, defined as our operating income divided by our total net revenues, decreased from 3.8% in 2018 to 1.4% in 2019. The decrease in our operating margin was primarily due to the decrease in gross margin, partially offset by a decrease in operating expenses as a percentage of total net revenues.

#### **Finance Expenses, Net**

Our finance expenses increased from US\$0.9 million in 2018 to US\$2.5 million in 2019 primarily due to an increase in our bank borrowings and the resulting increase in our interest expenses.

#### **Foreign Exchange Gains/(Loss), Net**

We recorded foreign exchange losses of US\$393.0 thousand in 2019, as compared to foreign exchange losses of US\$306.7 thousand in 2018.

#### **Other Income/(Loss), Net**

We recorded other income of US\$475.2 thousand in 2019, as compared to US\$234.4 thousand in 2018. The increase was primarily due to government incentives.

#### **Income Tax Expenses**

Our income tax expenses decreased from US\$417.1 thousand in 2018 to US\$250.0 thousand in 2019 primarily due to a decrease in the profits recorded by our subsidiaries.

#### **Net Income**

As a result of the foregoing, we recorded net income of US\$6.1 million and US\$1.9 million in 2018 and 2019, respectively.



## B. Liquidity and Capital Resources

We have financed our operations primarily through proceeds from share issuance and short-term bank borrowings. As of December 31, 2020, we had cash and cash equivalents of US\$45.3 million, short-term borrowings of US\$16.9 million and total working capital of US\$69.3 million. As of December 31, 2020, 8.9% of our cash and cash equivalents was held in PRC, including US\$5.5 thousand held by our variable interest entity. For details of the restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—A. Operating Results—Holding Company Structure.”

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

	Year Ended December 31,		
	2018	2019	2020
	(in thousands of U.S. dollars)		
Net cash (used in)/provided by operating activities	(40,756)	(14,189)	21,601
Net cash used in investing activities	(1,748)	(813)	(6,644)
Net cash provided by/(used in) financing activities	44,036	54,337	(22,786)
Cash, cash equivalents and restricted cash at beginning of the year	10,689	12,965	51,099
Cash, cash equivalents and restricted cash at end of the year	12,965	51,099	45,284

In October 2018, we obtained a revolving loan facility in an aggregate principal amount not exceeding US\$25.0 million from Taipei Fubon Commercial Bank Co. Ltd., Hong Kong Branch. As of December 31, 2020, we had US\$2.2 million borrowings outstanding from this revolving loan facility. In October 2018, we obtained a revolving loan facility in an aggregate principal amount not exceeding US\$4.0 million from The Hong Kong and Shanghai Banking Corporation Limited. As of December 31, 2020, we had paid off the full outstanding amount under this revolving loan facility.

In 2020, we had loans proceeds of US\$105.0 million from banks and third-party borrowings and made repayments of borrowings of US\$122.7 million.

We believe that our current level of cash balances and cash flows will be sufficient for our anticipated cash needs for at least the next twelve months. However, we may need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions. If we determine that our cash requirements exceed our amounts of cash on hand or if we decide to further optimize our capital structure, we may seek to issue debt or equity securities or obtain additional credit facilities or other sources of funding.

### Operating Activities

Net cash provided by operating activities in 2020 was US\$21.6 million, which reflects our net loss of US\$13.5 million, as adjusted for the effects of the changes in operating assets and liabilities, and non-cash items. In 2020, the principal items accounting for changes in operating assets and liabilities were (i) a decrease of US\$15.2 million in inventories as a result of better inventory management, (ii) a decrease of US\$13.1 million in prepayments and other current assets as we realized more of prepayments and current assets, (iii) a decrease of US\$10.0 million in our accounts receivable primarily due to the collection of outstanding balances, (iv) an increase of US\$0.4 million in tax payable, and (v) an increase of US\$0.2 million in salary and welfare payable, partially offset by (i) a decrease of US\$2.4 million in accounts payable primarily due to the better management of our business, (ii) a decrease of US\$1.9 million in operating lease liabilities as we paid off our lease payment regularly, (iii) a decrease of US\$1.7 million in accrued liabilities and other current liabilities, (iv) a decrease of US\$0.7 million in amounts due to related parties, and (v) a decrease of US\$0.3 million in advance from customers. Adjustment for non-cash items primarily consisted of (i) amortization of right-of-use asset and interest of lease liabilities of US\$1.5 million, (ii) depreciation and amortization expense of US\$0.8 million, (iii) inventory write-down of US\$0.5 million and (iv) share-based compensation of US\$0.5 million.

Net cash used in operating activities in 2019 was US\$14.2 million, which reflects our net income of US\$1.9 million, as adjusted for the effects of the changes in operating assets and liabilities and non-cash items. In 2019, the principal items accounting for changes in operating assets and liabilities were (i) an increase of US\$17.2 million in our accounts receivable primarily due to the growth of sales to platforms and distributors and (ii) an increase of US\$11.0 million in prepayments and other current assets and partially, offset by (i) an increase of US\$4.5 million in accrued liabilities and other current liabilities, (ii) a decrease of US\$2.5 million in inventory as a result of better inventory management, and (iii) an increase of US\$3.6 million in accounts payable primarily due to

the growth of our business. Adjustment for non-cash items primarily consisted of (i) amortization of right-of-use asset and interest of lease liabilities of US\$1.6 million, (ii) share-based compensation of US\$1.6 million, (iii) inventory write-down of US\$1.2 million and (iv) depreciation and amortization expense of US\$996.7 thousand.

Net cash used in operating activities in 2018 was US\$40.8 million, which reflects our net income of US\$6.1 million, as adjusted for the effects of the changes in operating assets and liabilities and non-cash items. In 2018, the principal items accounting for changes in operating assets and liabilities were (i) an increase of US\$37.6 million in our inventories in anticipation of increased sales in the first half of 2019 and (ii) an increase of US\$23.2 million in our accounts receivable primarily due to the growth of our services revenues and sales to retailers, partially offset by an increase of US\$12.4 million in our accounts payable as a result of higher levels of inventory. Adjustment for non-cash items primarily consisted of (i) inventory write-downs of US\$639.7 thousand and (ii) depreciation and amortization expenses of US\$605.6 thousand, partially offset by deferred tax expenses of US\$1.1 million.

#### **Investing Activities**

Net cash used in investing activities in 2020 was US\$6.6 million, primarily consisting of (i) US\$5.9 million incurred in purchases of long-term investments, (ii) US\$0.6 million for loan to long-term investments investee, (iii) releases of US\$0.6 million cash held at disposal entities, (iv) US\$0.1 million in payments for software procurement, and (v) US\$0.1 million in purchases of property and equipment, partially offset by, (i) proceeds from sale of equity interests in subsidiaries of US\$0.7 million and (ii) proceeds from disposal of property and equipment of US\$0.1 million.

Net cash used in investing activities in 2019 was US\$813.0 thousand, consisting of (i) US\$557.6 thousand incurred in purchases of property and equipment and (ii) payments of US\$255.4 thousand for software procurement.

Net cash used in investing activities in 2018 was US\$1.7 million, consisting of (i) US\$1.4 million incurred in purchases of property and equipment, (ii) payments of US\$201.9 thousand for software procurement, and (iii) payments of US\$122.9 thousand for acquisition of business licenses relating to our acquisition of Hangzhou Duoduo Supply Chain Management Co., Ltd.

#### **Financing Activities**

Net cash used in financing activities in 2020 was US\$22.8 million, primarily consisting of (i) repayments of borrowings of US\$122.7 million, (ii) repayment of advances to related parties of US\$5.2 million, (iii) cash payments of US\$3.1 million for acquisition of redeemable non-controlling interests, and (iv) repayment of borrowings from related parties of US\$0.6 million, partially offset by (i) proceeds from borrowings of US\$105.0 million, and (ii) proceeds from advances from related parties of US\$3.4 million.

Net cash provided by financing activities in 2019 was US\$54.3 million, primarily consisting of (i) proceeds from borrowings of US\$50.4 million, (ii) net proceeds from issuance of ordinary shares of US\$35.0 million, (iii) advances from related parties of US\$9.4 million, representing interest-free advances from Ms. Zoe Wang and Mr. Leo Zeng and their immediate family members and (iv) cash consideration of US\$9.3 million for subscription of shares in our company from the shareholders of ECMOHO Shanghai in connection with our corporate restructuring and (v) proceeds from borrowings of US\$4.0 million from related parties, partially offset by (i) repayments of borrowings of US\$37.3 million, (ii) repayment of advances to related parties of US\$10.6 million and (iii) cash payments of US\$4.3 million for acquisition of equity interests of ECMOHO Shanghai from Ms. Zoe Wang and Mr. Leo Zeng in connection with our corporate restructuring. For details of our corporate restructuring, see Note 1(b) to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Net cash provided by financing activities in 2018 was US\$44.0 million, primarily consisting of (i) proceeds from borrowings of US\$41.5 million; (ii) cash receipts from the issuance of Series A preferred shares of US\$22.4 million; (iii) cash consideration of US\$9.4 million for subscription of shares in our company from the shareholders of ECMOHO Shanghai in connection with our corporate restructuring; (iv) advances from related parties of US\$9.0 million, representing interest-free advances from Ms. Zoe Wang and Mr. Leo Zeng and their immediate family members, partially offset by (i) repayments of borrowings of US\$23.5 million and (ii) cash payments of US\$14.5 million for acquisition of equity interests of ECMOHO Shanghai from Ms. Zoe Wang and Mr. Leo Zeng in connection with our corporate restructuring. For details of our corporate restructuring, see Note 1(b) to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

For details of our related party transactions, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions” and Note 27 to our consolidated financial statements included elsewhere in this annual report.

## Capital Expenditures

We made capital expenditures of US\$1.6 million, US\$813.0 thousand and US\$260.0 thousand in 2018, 2019 and 2020, respectively, primarily in relation to purchases of office and warehouse equipment, leasehold improvement and software.

## C. Research and Development, Patents and Licenses

See “Item 4. Information on the Company—B. Business Overview” for the information required by this item.

## D. Trend Information

Other than as disclosed elsewhere in this annual report on Form 20-F, and in particular other than the impact of the COVID-19 pandemic, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2020, that are reasonably likely to have a material and adverse effect on our total net revenues, income, profitability, liquidity or capital resources, or that would cause the reported financial information to not necessarily be indicative of future results of operations or financial conditions.

## E. Off-balance Sheet Arrangements

None.

## F. Tabular Disclosure of Contractual Obligations

The following table summarizes payments due under significant contractual commitments as of December 31, 2020:

	Payments Due by Period					Total
	2021	2022	2023	2024	2025	
Operating lease obligations	513.1	555.1	602.9	617.2	336.6	2,624.9

Our operating lease commitments relate to our corporate offices and warehouses.

Other than the above, we did not have any significant purchase commitments, capital commitments or other long-term liabilities as of December 31, 2020.

## G. Safe Harbor

See the section entitled “Cautionary Note Regarding Forward-looking Statements” at the beginning of this annual report on Form 20-F.

## Item 6. Directors, Senior Management and Employees

### A. Directors and Senior Management

The following table sets forth certain information concerning our directors and executive officers.

Name*	Age	Position
Zoe Wang	41	Co-Founder, Chairman & Chief Executive Officer, Director
Leo Zeng	45	Co-Founder, Chief Operating Officer & Acting Chief Financial Officer, Director
Greg Ye	52	Independent Director
Daniel Wang	34	General Manager – New Business, Director
Grace Fu	40	Independent Director

\* Dr. Rachel Sang ceased to be our director on April 27, 2021.

*Zoe Wang* currently serves as our Chairman and Chief Executive Officer. Prior to taking on this role, Ms. Wang had 19 years' experience in marketing and e-commerce retail management with companies such as Shanghai Pingchengjingjie Advertising Co. Ltd. and Shanghai Yiheng Advertising Co. Ltd. Ms. Wang holds an associate degree in traditional Chinese medicine from Wuhu College of Traditional Chinese Medicine and a business qualification from Changjiang Business School. Ms. Wang is the spouse of Mr. Leo Zeng and the sister of Mr. Daniel Wang.

*Leo Zeng* currently serves as our Chief Operating Officer and Acting Chief Financial Officer. Mr. Zeng has extensive experience in sales and marketing over 16 years in multiple industries. Mr. Zeng also has broad managerial skills, gained from his time as a co-founder and general manager of Hydrotech Marine & Offshore Technology Co. Ltd. Mr. Zeng holds a bachelor of marine engineering management degree from Dalian Maritime University, and a master of business administration degree from Fudan University. Mr. Zeng is the spouse of Ms. Zoe Wang and the brother-in-law of Mr. Daniel Wang.

*Greg Ye* currently serves as an Independent Director on our board of directors. Mr. Ye brings 20 years of experience in private equity, executive management, start-up and consulting to our board of directors, and is one of the founders and the managing partner of Delta Capital, a position he has held since 2010. Mr. Ye also previously held managerial or executive roles at Shanghai New Margin Ventures Co. Ltd, Cadence Design Systems, Inc. and PricewaterhouseCoopers. Mr. Ye holds a bachelor degree in electrical engineering and industrial engineering from Shanghai Jiaotong University, a master of accounting degree from Missouri State University and a master of business administration degree from Harvard Business School. In addition, Mr. Ye is a U.S. Certified Public Accountant and Certified Management Accountant.

*Daniel Wang* currently serves as our General Manager – New Business. Mr. Wang has served in various leadership roles since our beginning. He is currently in charge of our health supplements and food division, household healthcare equipment division, global business development and the management of new business. Mr. Wang has over ten years of experience in e-commerce and retail operations, and over eight years of experience in e-commerce management. Mr. Wang holds a bachelor degree in engineering management from Tongling University.

*Grace Fu* currently serves as an Independent Director on our board of directors. Ms. Fu has extensive experience in investment and management. Ms. Fu is currently a vice president at CID Group Ltd. and a deputy dean of the CID Research Institute. Prior to joining CID Group Ltd., Ms. Fu served as an investment manager at The Omni-Power Co., Ltd. Ms. Fu holds a bachelor degree in architecture from Shanghai Jiaotong University, a master degree in architectural design and theory from Shanghai Jiaotong University, and an EMBA degree from Antai College of Economics and Management at Shanghai Jiaotong University.

## **B. Compensation**

In 2020, the aggregate cash compensation to our executive officers and directors was RMB2.3 million (US\$0.4 million). Each of the officers and directors is entitled to reimbursement for all necessary and reasonable expenses properly incurred in the course of employment. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries and VIE are required by law to make contributions in amounts equal to certain percentages of each employee's salary, including bonuses and allowances, for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

### ***Employment Agreements and Indemnification Agreements***

We have entered into employment agreements with our senior executive officers. Pursuant to these agreements, we are entitled to terminate a senior executive officer's employment for cause at any time without remuneration for certain acts of the officer, such as being convicted of any criminal conduct, any act of gross or willful misconduct or any serious, willful, grossly negligent or persistent breach of any employment agreement provision, or engaging in any conduct which may make the continued employment of such officer detrimental to our company. Neither we nor our subsidiaries provide benefits to senior executive officers upon termination of service.

In connection with the employment agreements, each senior executive officer agrees to hold all information, know-how and records in any way connected with the products of our company, including, without limitation, all software and computer formulas, designs, specifications, drawings, data, manuals and instructions and all customer and supplier lists, sales and financial information, business plans and forecasts, all technical solutions and the trade secrets of our company, in strict confidence perpetually. Each officer also agrees that we shall own all the intellectual property developed by such officer during his or her employment.

We have entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify them against certain liabilities and to reimburse them for expenses in connection with claims made by reason of their being a director or officer of our company.

#### **Share Incentive Plan**

On September 30, 2018, we adopted our 2018 Omnibus Incentive Plan, or the 2018 Plan, to promote our success and the interests of our shareholders by providing a means through which we may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors, consultants and other eligible persons to further link the interests of recipients with those of our shareholders generally. We granted restricted share units under the 2018 Plan to our employees and directors.

The following paragraphs summarize the terms of the 2018 Plan.

*Types of Awards.* The 2018 Plan permits the grant of restricted shares, restricted share units, options and stock appreciation rights.

*Plan Administration.* The 2018 Plan is administered by our board of directors or by a committee designated by our board of directors. The committee or the full board of directors, as applicable, determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award grant.

*Award Agreement.* Generally, awards granted under the 2018 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which must be consistent with the plan.

*Exercise Price.* The plan administrator determines the exercise price for each award, which is stated in the award agreement.

*Eligibility.* We may grant awards only to those persons that the plan administrator determines to be eligible persons, which may include our employees, directors and consultants.

*Term of the Awards.* The term of each award granted under the 2018 Plan may not exceed ten years from the date of the grant.

*Vesting Schedule.* In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

*Acceleration of Awards upon Change in Control.* The plan administrator may determine, at the time of grant or thereafter, that an award will become vested and exercisable, in full or in part, in the event that a change in control of our company occurs.

*Transfer Restrictions.* Awards may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution, except as otherwise provided by the plan administrator.

*Termination.* The 2018 Plan is valid and effective for a term of 10 years commencing from its adoption.

Under the 2018 Plan, a total of 11,386,410 Class A Ordinary Shares were initially reserved for issuance. As of April 15, 2021, restricted share units representing a total of 9,496,934 Class A Ordinary Shares were issued to our officers and employees and remain outstanding under the 2018 Plan.

The following table summarizes, as of April 15, 2021, the outstanding restricted share units granted to our executive officers, directors and other individuals as a group under our 2018 Plan.

Name	Class A Ordinary Shares Underlying Restricted Share Units Granted	Date of Grant
Zoe Wang	—	—
Leo Zeng	—	—
Greg Ye	—	—
Rachel Sang*	—	—
Daniel Wang	1,671,814	October 1, 2020-January 1, 2021
Grace Fu	—	—
Other individuals as a group	7,825,120	September 30, 2018-March 30, 2021
Total	<u>9,496,934</u>	

\* Dr. Rachel Sang ceased to be our director on April 27, 2021.

### C. Board practices

#### Board of Directors

Our board of directors consists of five directors. A director is not required to hold any shares in our company by way of qualification. A director who is not a shareholder of our company shall nevertheless be entitled to attend and speak at general meetings of shareholders. A director may vote with respect to any contract or transaction or proposed contract or transaction in which he is interested provided (i) such director, if his such interest is material, has declared the nature of his interest at a meeting of the board and (ii) his vote is not otherwise disqualified by the chairman of the relevant board meeting, pursuant to any applicable rules and regulations as a result of listing of our ADSs or shares on the Nasdaq Stock Market or pursuant to other corporate governance requirements adopted by the board from time to time. The Directors may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, or to otherwise provide for a security interest to be taken in such undertaking, property or uncalled capital, and to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the company or of any third party. Pursuant to the service contracts between our company and our directors, neither we nor our subsidiaries provide benefits to non-executive directors upon termination of service.

#### Committees of the Board of Directors

We have established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. As a foreign private issuer, we are permitted under the Nasdaq Stock Market Rules to follow home country corporate governance practices. We rely on these exemptions provided by the Nasdaq Stock Market Rules to foreign private issuers. For example, we do not (i) have a majority of the board be independent; (ii) have a compensation committee or a nominating and corporate governance committee consisting entirely of independent directors; or (iii) have an audit committee be composed of at least three members.

We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

**Audit Committee.** Our audit committee consists of Mr. Greg Ye, who is also the Chair, and Ms. Grace Fu. Both Mr. Ye and Ms. Fu satisfy the "independence" requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules and meet the independence standards under Rule 10A-3 under the Exchange Act, as amended.

We have determined that Mr. Ye qualifies as an “audit committee financial expert.” The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent registered public accounting firm, pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm and reviewing the performance of the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management’s response;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy and effectiveness of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter and recommend any proposed changes to the board for approval;
- meeting separately and periodically with management and the independent registered public accounting firm;
- monitoring compliance with our code of business conduct;
- reviewing and approving all proposed related party transactions; and
- reporting regularly to the board.

**Compensation Committee.** Our compensation committee consists of Ms. Zoe Wang, who also acts as the Chair of the committee, Mr. Leo Zeng and Ms. Grace Fu. Ms. Fu satisfies the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules. The compensation committee assists the board in reviewing and approving the company’s compensation and employee benefit plans and practices, including its executive compensation plans. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving the compensation for our executive officers;
- reviewing the compensation of our non-employee directors; and
- periodically reviewing and approving any general compensation and employee benefit plans, and making recommendation to the board as necessary.

**Nominating and Corporate Governance Committee.** Our nominating and corporate governance committee consists of Ms. Grace Fu, who also acts as the Chair of the committee, Mr. Greg Ye, Ms. Zoe Wang and Mr. Leo Zeng. Both Ms. Fu and Mr. Ye satisfy the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules. The nominating and corporate governance committee assists the board of directors in identifying individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- identifying, recruiting and, if appropriate, interviewing candidates to fill positions on our board of directors;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, experience, skills, expertise and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and

- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

**Qualification**

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

**Duties of Directors**

Under Cayman Islands law, our directors have a duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence 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 memorandum and articles of association. Our company has the right to seek damages if a duty owed by our directors is breached.

**Term of Directors**

Pursuant to our memorandum and articles of association currently in effect, our directors are not subject to a term of office and hold office until their resignation, death or removal in accordance with our memorandum and articles of association.

A director will be removed from office if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; or (iii) is prohibited by any applicable law or designated stock exchange rules from being a director.

Our directors may be appointed, in the event of filling a vacancy or adding any director to the existing board, by the affirmative vote of a majority of the directors then in office or the sole remaining director, or by the affirmative vote of at least a majority of the total voting power of the outstanding shares of our company entitled to vote in any annual election of directors or class of directors, voting together as a single class. In other circumstances, our directors may be appointed by our shareholders through ordinary resolutions.



#### D. Employees

We had a total of 651, 677 and 455 full-time employees as of December 31, 2018, 2019 and 2020, respectively. Substantially all of our full-time employees are based in China.

The following table sets forth a breakdown of our employees by function as of December 31, 2020:

<b>Function</b>	<b>Number</b>
Fulfillment	55
Sales and marketing	308
General and administrative	44
Research and development	48
<b>Total</b>	<b>455</b>

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

We typically enter into standard employment agreements and confidentiality agreements or clauses with our senior management and core personnel. These agreements include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for six months after termination of his or her employment.

We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

## E. Share Ownership

The following table sets forth information as of April 15, 2021 with respect to the beneficial ownership of our ordinary shares by (i) each of our directors and officers and (ii) each person known to us to own beneficially 5.0% or more of our ordinary shares in each class. The total number of ordinary shares outstanding as of April 15, 2021 is 144,717,499, comprising 73,361,883 Class A ordinary shares and 71,355,616 Class B ordinary shares but excludes ordinary shares issuable upon the exercise of outstanding share options, vested but not yet issued restricted shares and ordinary shares reserved for future issuance under our share incentive plans.

	Class A ordinary shares		Class B ordinary shares		% of Aggregate Voting Power ***	% of Aggregate Voting Power ****
	Number	%*	Number	%**		
<b>Directors and Executive Officers:†</b>						
Zoe Wang <sup>(1)</sup>	638,106	0.9	37,575,200	52.7	47.8	26.4
Leo Zeng <sup>(2)</sup>	—	—	33,780,416	47.3	42.9	23.3
Richard Wei	—	—	—	—	—	—
Greg Ye	—	—	—	—	—	—
Rachel Sang††	—	—	—	—	—	—
Daniel Wang	1,671,814	2.3	—	—	0.2	1.2
Ms. Grace Fu	—	—	—	—	—	—
<b>All our Directors and Executive Officers as a group</b>	<b>2,309,920</b>	<b>3.2</b>	<b>71,355,616</b>	<b>100.0</b>	<b>90.9</b>	<b>50.9</b>
<b>Principal Shareholders:</b>						
Zoe Wang <sup>(1)</sup>	638,106	0.9	37,575,200	52.7	47.8	26.4
Leo Zeng <sup>(2)</sup>	—	—	33,780,416	47.3	42.9	23.3
STCH Investment Inc. <sup>(3)</sup>	7,497,767	10.2	—	—	1.0	5.2
CID Greater China Fund V, L.P. <sup>(4)</sup>	6,182,800	8.4	—	—	0.8	4.3
Smart Warrior Limited <sup>(5)</sup>	5,693,200	7.8	—	—	0.7	3.9
Tim One Int'l Limited <sup>(6)</sup>	4,594,784	6.3	—	—	0.6	3.2

### Notes:

† Except as otherwise indicated below, the business address of our directors and executive officers is 3<sup>rd</sup> Floor, 1000 Tianyaoqiao Road, Xuhui District, Shanghai, China.

†† Dr. Rachel Sang ceased to be our director on April 27, 2021.

\* For each person or group included in this column, percentage ownership is calculated by dividing the number of Class A ordinary shares beneficially owned by such person or group by the sum of the total number of Class A ordinary shares outstanding as of April 15, 2021, being 73,361,883.

\*\* For each person or group included in this column, percentage ownership is calculated by dividing the number of Class B ordinary shares beneficially owned by such person or group by the sum of the total number of Class B ordinary shares outstanding as of April 15, 2021, being 71,355,616.

\*\*\* For each person or group included in this column, percentage of aggregate voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our outstanding Class A ordinary shares and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per Class A ordinary share. Each holder of Class B ordinary shares is entitled to ten votes per Class B ordinary share. Our Class B ordinary shares are convertible at any time by the holders thereof into Class A ordinary shares on a share-for-share basis. Class A ordinary shares are not convertible into Class B ordinary shares at any time.

\*\*\*\* For each person or group included in this column, percentage of aggregate voting power is calculated by dividing the number of ordinary shares beneficially owned by such person or group by the voting power of all of our outstanding ordinary shares, assuming conversion of all of our Class B ordinary shares into Class A ordinary shares. Our Class B ordinary shares are convertible at any time by the holders thereof into Class A ordinary shares on a share-for-share basis.

(1) Represents 638,106 Class A ordinary shares and 37,575,200 Class B ordinary shares held by Behealth Limited, a British Virgin Islands company wholly owned by Ms. Zoe Wang. 9,393,800 Class B ordinary shares held by Behealth Limited have been pledged to Taipei Fubon Commercial Bank Co., Ltd., Hong Kong Branch to secure a commercial loan for the benefit of our company. The registered office address of Behealth Limited is c/o Sertus Incorporations (BVI) Limited Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands.

(2) Represents 33,780,416 Class B ordinary shares held by Uhealth Limited, a British Virgin Islands company wholly owned by Leo Zeng. 9,393,800 Class B ordinary shares held by Uhealth Limited have been pledged to Taipei Fubon Commercial Bank Co., Ltd., Hong Kong Branch to secure a commercial loan for the benefit of our company. The registered office address of Uhealth Limited is c/o Sertus Incorporations (BVI) Limited Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands.

(3) STCH Investment Inc. is a Cayman Islands company that is ultimately controlled by Ching-Yi Chang. The registered office address of STCH Investment Inc. is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands.

(4) CID Greater China Fund V, L.P. is a Cayman Islands company whose general partner is CID General Partners V, Limited. The registered office address of CID Greater China Fund V, L.P. is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands.

- (5) Smart Warrior Limited is a British Virgin Islands company and a wholly owned subsidiary of SMC Capital China Fund II, L.P, whose general partner is SMC General Partner II Limited. The registered office address of Smart Warrior Limited is Vistra Corporate Services Centre, Wickham's Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.
- (6) Tim One International Limited is a Samoa company whose general partner is Strait Capital Partners. The registered office address of Tim One International Limited is La Sanalele Complex, Ground Floor, Vaea Street, Saleufi, Samoa.

**Item 7. Major Shareholders and Related Party Transactions**

**A. Major Shareholders**

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

To our knowledge, as of April 15, 2021, a total of 54,605,596 Class A ordinary shares, representing approximately 74.4% of our total outstanding Class A ordinary shares, were held by one recorded shareholder in the United States, which is Citibank, N.A., the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is much larger than the one record holder of our ordinary shares in the United States.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

## B. Related Party Transactions

	As of December 31,		
	2018 US\$	2019 US\$	2020 US\$
<b>Balance amount with related parties</b>			
Subscription receivables due from co-founders for reorganization purpose	9,261,300	—	—
Payables due to related parties	(6,756,620)	(5,511,642)	(708)
Payables due to shareholders of ECMOHO Shanghai for reorganization purpose	(4,261,580)	—	—
Borrowings from and interests due to related parties	(6,405,000)	(10,721,819)	(9,400,000)
	Year Ended December 31,		
	2018 US\$	2019 US\$	2020 US\$
<b>Transaction with related parties</b>			
Repayment of advances to related parties	(2,474,371)	(10,593,662)	(5,214,261)
Proceeds of advances from related parties	8,964,847	9,436,151	3,409,587
Proceeds of borrowings from related parties	3,000,000	6,000,000	10,000,000
Repayment of borrowings from related parties	—	(2,000,000)	(10,600,000)
Reimbursement to related parties	201,907	331,956	292,736
Acquisition of equity interests of ECMOHO Shanghai for Reorganization purpose	(18,737,426)	—	—
Subscription fees from the Founders of ECMOHO Shanghai for Reorganization purpose	15,261,676	—	—
Proceeds from sale of equity interests in subsidiaries	—	—	710,392
Sale consideration from sale of equity interests in a subsidiary offset with amounts due to related parties	—	—	652,401
Gain from sale of equity interests in subsidiaries to related parties recognized to additional paid-in capital	—	—	1,950,871

### Transactions with our co-founders

We have drawn down interest free advances from our co-founders and certain of their affiliates to fund our working capital from time to time, which amounted to US\$9.0 million, US\$9.4 million and US\$3.4million in 2018, 2019 and 2020, respectively. As of December 31, 2018, 2019 and 2020, payables due to these related parties amounted to US\$6.8 million, US\$5.5 million and US\$708, respectively. As of the date of this annual report on Form 20-F, payables due to these related parties amount to US\$9.4 million.

In July 2018, ECMOHO Hong Kong acquired 97.5% of the equity interest of ECMOHO Shanghai from our co-founders and most of its other investors as part of our reorganization. As of December 31, 2018, US\$4.3 million of the consideration payable to the co-founders remained outstanding. All such consideration was settled prior to our initial public offering in November 2019.

On August 2, 2018, we issued 5,368,958 Class A ordinary shares and 37,575,200 Class B ordinary shares to Behealth Limited and 37,575,200 Class B ordinary shares to Uhealth Limited. All such consideration for such issuances was settled prior to our initial public offering in November 2019.

In addition, our co-founders provided guarantees to (i) certain banks in respect of the loans provided by such banks to us or our subsidiaries and (ii) the minority shareholders of ECMOHO Shanghai in respect of our payment obligations to these shareholders for our acquisition of their equity interest in ECMOHO Shanghai in June 2019.

In October 2018, each of our co-founders entered into a share charge with Taipei Fubon Commercial Bank Co. Ltd., Hong Kong Branch, in respect of 9,393,800 Class B ordinary shares each, to secure a commercial loan for the benefit of our company.

### **Transactions with Techlong International Investments Limited**

In September and October 2017, we entered into loan agreements with the principal amounts of US\$1.5 million and US\$1.5 million from Techlong International Investments Limited, a company under the common control with CID Greater China Fund V, L.P., for business development and general corporate purposes. The loan agreement provides with an interest rate of 6% per annum and shall be repaid upon the borrower's request.

In April 2018, we entered into an additional loan agreement with principal amount of US\$3.0 million from Techlong International Investments Limited for business development and general corporate purposes. The loan agreement provides with an interest rate of 6% per annum and shall be repaid upon the borrower's request.

In November 2019, we entered into additional loan agreements with principal amount of US\$2.0 million from Techlong International Investments Limited for business development and general corporate purposes. The loan agreement provides with an interest rate of 8% per annum and shall be repaid upon the borrower's request.

In May 2020, we entered into supplementary loan agreements with Techlong International Investments Limited, pursuant to which Techlong International Investments Limited agreed to, with respect to their existing loans to us, waive certain interests thereon and adjust the repayment schedule. In addition, Mr. Zeng has agreed to enter into certain share charges with Techlong International Investments Limited in respect of 4,000,000 Class B ordinary shares to guarantee our payment obligations under our loan agreements with Techlong International Investments Limited. In February 2021, we entered into a supplementary loan agreement with Techlong International Investments Limited, pursuant to which the borrower agreed to, with respect to its existing loans to us, extend to us an additional principal amount of US\$1.0 million to be due on May 31, 2021 with an annual interest rate of 8.0%.

As of the date of this annual report on Form 20-F, the aggregate principal and interest outstanding under the aforementioned loan agreements with Techlong International Investments Limited is US\$7.4 million.

### **Transaction with Delta Capital Growth Fund II, L.P.**

In December 2019, we entered into a loan agreement with Delta Capital Growth Fund II, L.P with an aggregate principal amount of US\$2.0 million for general corporate purposes. The loan agreement provides for an interest rate of 10% per annum. The amount outstanding under this agreement was repaid in February 2020.

### **Divestment of equity interest in Xianggui Shanghai and deconsolidation of Yang Infinity**

On April 27, 2020, we entered into a share transfer agreement with Shanghai Xianggui Health Management Co., Ltd., or Xianggui Health Management, an entity jointly owned by our co-founders Ms. Wang and Mr. Zeng, pursuant to which we transferred all of the equity interests we held in Xianggui Shanghai, representing 60% of its total outstanding share capital, to Xianggui Health Management, for a consideration of RMB3.4 million (US\$521,000). The consideration was calculated based on the fair value of the net assets of Xianggui Shanghai. We received the full amount in 2020. On April 27, 2020, Ms. Wang and Mr. Zeng entered into a share transfer agreement with Xianggui Health Management, pursuant to which Ms. Wang and Mr. Zeng transferred 100% of the equity interests in Yang Infinity, an entity controlled by Xianggui Shanghai through contractual arrangements, to Xianggui Health Management at nil consideration.

Our decision to divest Xianggui Shang is to restructure its operating entities and improve its operating results in the e-commerce health and wellness industry. We evaluated and determined that the divestment of Xianggui Shanghai did not constitute a strategic shift that has had or will have a material effect on our business operations and financial results. Therefore, the results of operations relating to Yang Infinity and Xianggui Shanghai were not reported as discontinued operations under the guidance of Accounting Standards Codification 205.

Xianggui Health Management and we are under the common control of Ms. Wang and Mr. Zeng. The difference between any proceeds and the carrying amounts of the net assets transferred was recognized in our additional paid-in capital as opposed to a gain. For the year ended December 31, 2020, we recognized approximately US\$200,322 in gain on divestment of Xianggui Shanghai and deconsolidation of Yang Infinity, which was recorded as an additional paid-in capital, resulting from the 60% of net assets of Xianggui Shanghai and Yang Infinity of US\$285,455, and the total consideration of US\$480,885 with exchange rate effect of US\$4,892.

## **Divestment of equity interest in Shanghai Jieshi and Shanghai Hengshoutang**

On July 9, 2020, Yijiasancan (Shanghai) E-commerce Co., Ltd., or Yijiasancan Shanghai, our wholly owned subsidiary, entered into a share transfer agreement with Shanghai Xianggui Health Technology Co. Ltd., or Xianggui Health Technology. Pursuant to the agreement, Yijiasancan Shanghai transferred 100% equity interests in Shanghai Jieshi Technology Co., Ltd., or Shanghai Jieshi, our wholly owned subsidiary, to Xianggui Health Technology for a consideration of RMB1.0 million (approximately US\$0.2 million), which was based on the fair value of the net assets of Shanghai Jieshi. We received the full amount in 2020.

On October 28, 2020, Yijiasancan Shanghai entered into share transfer agreement with Xianggui Health Technology. Pursuant to the agreement, Yijiasancan Shanghai transferred 70% of the equity interests in Shanghai Hengshoutang Health Technology Co., Ltd., or Shanghai Hengshoutang, to Xianggui Health Technology for a consideration of RMB5.0 million (US\$0.8 million), which was based on the fair value of the net assets of Shanghai Hengshoutang. We received approximately US\$77,000 of the consideration in 2020, while the remaining US\$0.7 million was net against payables to Ms. Wang and Mr. Zeng during the year ended December 31, 2020.

Our decision to divest Shanghai Jieshi and Shanghai Hengshoutang is to improve their operating results in the e-commerce health and wellness industry. We evaluated and determined that the divestment did not constitute a strategic shift that has had or will have a material effect on our business operations and financial results. Therefore, the results of operations relating to Shanghai Jieshi and Shanghai Hengshoutang were not reported as discontinued operations under the guidance of Accounting Standards Codification 205.

Xianggui Health Technology and we are under the common control of Ms. Wang and Mr. Zeng. The difference between any proceeds and the carrying amounts of the net assets transferred is recognized in our additional paid-in capital as opposed to a gain. For the year ended December 31, 2020, we recognized approximately US\$1.4 million in gain on disposal of Shanghai Jieshi, which was recorded as an additional paid-in capital, resulted from the net deficiency of Shanghai Jieshi of US\$1.2 million, and the total consideration of US\$142,684 with exchange rate effect of US\$22,313. For the year ended December 31, 2020, we recognized approximately US\$340,445 in gain on disposal of Shanghai Hengshoutang, which was recorded as an additional paid-in capital, resulted from the 70% of net assets of Shanghai Hengshoutang of US\$411,138, and the total consideration of US\$744,103 with exchange rate effect of US\$7,480.

## **Investors Rights Agreement and Registration Rights**

We entered into the investors rights agreement, or the Investors Rights Agreement, on August 7, 2018 with our shareholders, which consist of holders of ordinary shares and holders of preferred shares.

The Investors Rights Agreement provides for certain special rights, including right of first offer, right of first refusal, co-sale rights, drag-along rights, preemptive rights and contains provisions governing the board of directors and other corporate governance matters. Those special rights, as well as the corporate governance provisions, automatically terminated when we became subject to the periodic reporting requirements of Sections 12(g) or 15(d) of the Exchange Act.

Pursuant to the Investors Rights Agreement, we have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the agreement.

*Demand Registration Rights.* Upon the request of holders of at least 25% or more of the issued and outstanding registrable securities (on an as converted basis), the shareholders have the right to demand in writing that we file a registration statement covering the outstanding shares of the company requested by the shareholders to be covered by the registration statement. We are obliged to use our reasonable efforts to file such registration statement within 120 days after receipt of the shareholder request. We have the right to delay the filing or effectiveness of a registration statement, or delay the offering contemplated by the registration statement, for a period not exceeding 90 consecutive days or more in a 12-month period if it is determined in good faith by either Ms. Wang or Mr. Zeng, in consultation with our board of directors, that proceeding with such an offering would require the company to disclose material information that would not otherwise be required to be disclosed at that time and that the disclosure of such information at that time would not be in the best interests of the company or its shareholders or that the registration or offering to be delayed would, if not delayed, materially and adversely affect the company, taken as a whole, or materially interfere with, or jeopardize the success of, any pending or proposed material transaction, including any debt or equity financing, any acquisition or disposition, any recapitalization or reorganization or any other material transaction. We are not obligated to effect more than two demand registrations. Further, we are not obligated to effect a registration under these clauses of the Investors Rights Agreement, if the shareholders propose to sell the shares to the public at an aggregate price (based on the then-current market prices) of less than US\$50,000,000.

*Registration on Form F-3.* Any holder may request us to file a registration statement on Form F-3 if we qualify for registration on Form F-3. The holders are entitled to one registration on Form F-3 per 12-month period. We have the right to delay the filing or effectiveness of a registration statement, or delay the offering contemplated by the registration statement, for the same period and on the same conditions as outlined above. We are not obligated to effect a registration on Form F-3 if the shareholders that have requested we do so propose to sell the relevant shares to the public at an aggregate price (based on the then-current market prices) of less than US\$15,000,000.

*Piggyback Registration Rights.* If we propose to register for a public offering or our securities other than relating to any share incentive plan or a corporate reorganization, and the form of registration is suitable for the registration of shares held by the shareholders, we must give 10 days' notice to all holders of registrable securities and offer them an opportunity to be included in such registration. If the managing underwriter determines in good faith that the number of shares proposed to be included in the registration exceeds the number of shares that can be sold in such underwritten offering without materially delaying or jeopardizing the success of the offering (including the price per share of the shares proposed to be sold in such underwritten offering), the managing underwriter may decide to exclude shares from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting will be allocated, first, to us, second, to each of the holders requesting inclusion of their registrable securities on a pro rata basis based on the total amount of registrable securities requested by each such holder, and third, to holders of other securities of our company.

*Expenses of Registration.* We will bear all registration expenses, including proportional amounts with the shareholders of the underwriting discounts and commissions, but excluding fees for special counsel for the holders participating in such registration and certain excepted expenses as described in the Investors Rights Agreement, incurred in connection with registrations, filings or qualification pursuant to the Investors Rights Agreement.

*Termination of Obligations.* Our obligation to effect any demand, piggyback or Form F-3 registration shall terminate on the date at which, in the opinion of our counsel, all registrable securities proposed to be sold by a holder may then be sold without registration and without regard to any volume limitation requirement pursuant to Rule 144 promulgated under the Securities Act.

#### **Contractual Agreements with Respect to our VIE**

See "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our Variable Interest Entity" for a description of the contractual arrangements between our PRC subsidiary Shanghai ECMOHO and our VIE.

#### **Employment Agreements and Indemnification Agreements**

See "Item 6. Directors, Senior Management and Employees Management—B. Compensation—Employment Agreements and Indemnification Agreements."

#### **C. Interests of Experts and Counsel**

Not applicable.

**Item 8. Financial Information**

**A. Consolidated Statements and Other Financial Information**

**Consolidated Financial Statements**

The information required by this item is set forth beginning on page F-1 of this annual report on Form 20-F.

**Legal or Arbitration Proceedings**

The information on legal or arbitration proceedings required by this item is set forth in “Item 4. Information on the Company—B. Business Overview—Legal Proceedings.”

**Dividend Policy**

No dividends were declared for the years ended December 31, 2018 and 2019, respectively. We do not have any present plans to pay any dividends on ordinary shares in the foreseeable future. We intend to retain the available funds and any future earnings to operate and expand our business.

**B. Significant Changes**

Other than as set forth in this annual report on Form 20-F, no significant change has occurred with respect to us since the date of our audited consolidated U.S. GAAP financial statements included elsewhere in this annual report on Form 20-F.



**Item 9. The Offer and Listing**

**A. Offer and Listing Details**

Our ADSs have been listed on the Nasdaq Global Market since November 8, 2019, under the symbol “MOHO.” Each ADS represents four Class A ordinary shares, par value US\$0.00001 per share.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

See “—Offer and Listing Details” above.

**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 incorporated exempted company with limited liability and our affairs are governed by our third amended and restated memorandum and articles of association and the Companies Act (as amended) of the Cayman Islands and the common law of the Cayman Islands. Our registered office in the Cayman Islands is located at Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.

We incorporate by reference into this annual report on Form 20-F our Third Amended and Restated Memorandum and Articles of Association, the form of which was filed as Exhibit 3.2 to our registration statement on Form F-1 (File Number 333-233951) filed with the SEC on November 7, 2019.

The following are summaries of material provisions of our Third Amended and Restated Memorandum and Articles of Association and of the Companies Act as they related to the material terms of our ordinary shares.

*Objects of our Company.* Under our Third Amended and Restated Memorandum and Articles of Association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

*Ordinary Shares.* Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and holders of our Class B ordinary shares have the same rights except for voting rights. Each Class A ordinary share entitles the holder thereof to one (1) vote on all matters subject to vote at our general meetings, and each Class B ordinary share entitles the holder thereof to ten (10) votes on all matters subject to vote at our general meetings. Our ordinary shares are issued in registered form and are issued when registered in our register of members.

*Conversion.* Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

*Dividends.* The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. Under the laws of the Cayman Islands, our company may declare and pay a dividend out of either profit or share premium account, provided 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.

*Voting Rights.* Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law or provided for in our Third Amended and Restated Memorandum and Articles of Association. In respect of matters requiring shareholders' vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes. At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

A quorum required for a meeting of shareholders consists of one or more shareholders at least holding or representing by proxy at least a majority of the votes of the issued shares or, if a corporation or other non-natural person, by its duly authorized representative. Advance notice of at least seven calendar days is required for the convening of our annual general meeting and other shareholders meetings.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting. A special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the outstanding shares at a meeting. Our Third Amended and Restated Memorandum and Articles of Association provide that a special resolution shall be required to approve any amendments to any provisions of our post-offering amended and restated articles of association. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Act and our Third Amended and Restated Memorandum and Articles of Association.

*General Meetings of Shareholders.* As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our Third Amended and Restated Memorandum and Articles of Association provide that we may (but are not obliged to) hold a general meeting of the company, and the general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by the chairman or a majority of our board of directors. Advance notice of at least seven (7) calendar days is required for the convening of our annual general shareholders' meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of one or more shareholders present or by proxy, representing not less than a majority of all votes attaching to all of our shares in issue and entitled to vote.

The Companies Act 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 Third Amended and Restated Memorandum and Articles of Association provide that upon the requisition of shareholders representing in aggregate not less than 10% of the votes attaching to the outstanding shares of our company entitled to vote at general meetings, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting.

*Transfer of Ordinary Shares.* Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in writing, and shall be executed by or on behalf of the transferor, and if the directors so requires, signed by the transferee.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which the company has a lien.

The registration of transfers may be suspended and the register closed at such times and for such periods, not exceeding 30 days in any year, as our board of directors may from time to time determine.

*Liquidation.* On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the amount paid up on the shares held by them. 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 in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them, respectively.

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

*Redemption, Repurchase and Surrender of Shares.* We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined by our board of directors. Our company may also repurchase any of our shares on such terms and in such manner as have been agreed by our board of directors and our shareholders. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding other than shares held as treasury shares or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

*Variations of Rights of Shares.* If at any time, our share capital is divided into different classes of shares, the rights attached to any class of shares (unless otherwise provided by the terms of issue of the shares of that class), whether or not our company is being wound-up, may be varied with the consent in writing of the holders of not less than two-thirds of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of the class by the holders of a two-thirds majority of the votes cast at such a meeting. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall 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.

*Issuance of Additional Shares.* Our Third Amended and Restated Memorandum and Articles of Association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our Third Amended and Restated Memorandum and Articles of Association also authorizes our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series.

Our board of directors may issue preference shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary 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, we will provide our shareholders with annual audited financial statements.

*Anti-Takeover Provisions.* Some provisions of our Third Amended and Restated Memorandum and Articles of Association may discourage, delay or prevent a change of 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; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Third Amended and Restated Memorandum and Articles of Association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

*Exempted Company.* We are an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as an exempted limited duration company; and
- may register as a segregated portfolio company.

“Limited Liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company.

See “Item 6. Directors, Senior Management and Employees — C. Board practices—Board of Directors” for additional information required by this item.

#### **Differences in Corporate Law**

The Companies Act is modeled after that of England but does not follow recent English statutory enactments and differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

*Mergers and Similar Arrangements.* The Companies Act 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 consolidated 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 plan must be filed with the Registrar of Companies of the Cayman Islands 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. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a “parent” of a subsidiary if it holds issued shares that together represent at least 90% of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provide the dissenting shareholder complies strictly with the

procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, 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 court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- 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;
- 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
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of a dissentient minority shareholder upon a tender offer. When a tender 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 to the offeror 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.

If an arrangement and reconstruction is thus approved, or if a tender offer is made and accepted, a dissenting shareholder would have no rights comparable to appraisal rights, save that objectors to a takeover offer may apply to the Grand Court of the Cayman Islands for various orders that the Grand Court of the Cayman Islands has a broad discretion to make, 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.

*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 company acts or proposes to act illegally or ultra vires;
- 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
- 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 memorandum and 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 Third Amended and Restated Memorandum and Articles of Association permit indemnification of officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such officers and directors, other than by reason of such officer’s or director’s own dishonesty, willful default or fraud, in or about the conduct of our business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his or her duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such officer and director in defending (whether successfully or otherwise) any civil proceedings concerning us or our affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our Third 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.

*Directors' Fiduciary Duties.* 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 acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his 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, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

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 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 personal interest or his 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 duties a greater degree of skill than may reasonably be expected from a person of his 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.

*Shareholder Action by Written Consent.* Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our Third Amended and Restated Memorandum and Articles of Association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

*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. 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.

The Companies Act provide 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 Third Amended and Restated Memorandum and Articles of Association allow our shareholders holding in aggregate not less than one-tenth of all votes attaching to the outstanding shares of our company entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our Third Amended and Restated Memorandum and Articles of Association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings.

*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. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands but our Third Amended and Restated Memorandum and 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 post-offering amended and restated articles of association, directors may be removed, with or without cause, by an ordinary resolution of our shareholders.

*Transactions with Interested Shareholders.* The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, 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 share 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 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 Act, 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 post-offering 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 with the written consent of the holders of not less than two-thirds of the issued shares of that class or with the sanction of a resolution passed at a general meeting of the holders of the shares of that class by a two-thirds majority of the votes cast at such a meeting.

*Amendment of Governing Documents.* Under the Delaware General Corporation Law, a corporation’s governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law, our Third Amended and Restated Memorandum and Articles of Association may only be amended with a special resolution of our shareholders.

*Rights of Non-resident or Foreign Shareholders.* There are no limitations imposed by our Third 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 Third Amended and Restated Memorandum and Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed.

### **C. Material Contracts**

We have not entered into any material contracts other than in the ordinary course of business or other than those described in “Item 4. Information on the Company” and in “Item 7. Major Shareholders and Related Party Transactions” or elsewhere in this annual report on Form 20-F.

#### **D. Exchange Controls**

The Cayman Islands currently has no exchange control regulations or currency restrictions. See “Item 4. Information on the Company—B. Business Overview—Regulations□Regulations Relating to Foreign Exchange.”

#### **E. Taxation**

The following sets forth material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ordinary shares or ADSs. It is based upon laws and relevant interpretations thereof as of December 31, 2020, all of which are subject to change, possibly with retroactive effect. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People’s Republic of China and the United States. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the ADSs. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Walkers (Hong Kong), our Cayman Islands counsel. To the extent that the discussion relates to matters of PRC tax law, it represents the opinion of Commerce & Finance Law Offices, our PRC legal counsel.

##### **Cayman Islands Taxation**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us or our shareholders levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of, the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares and ADSs will not be subject to taxation in the Cayman Islands, and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares or the ADSs, nor will gains derived from the disposal of our ordinary shares or the ADSs be subject to Cayman Islands income or corporation tax.

##### **People’s Republic of China Taxation**

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside China with its “de facto management body” within China is considered a resident enterprise and will be subject to the enterprise income tax rate of 25% on its global income. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe that ECMOHO Limited is not a PRC resident enterprise for PRC tax purposes. ECMOHO Limited is not controlled by a PRC enterprise or PRC enterprise group, and we do not believe that ECMOHO Limited meets all of the conditions above. ECMOHO Limited is a company incorporated outside China. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside China. In addition, we are not aware of any offshore holding companies with a similar corporate structure as ours ever having been deemed a PRC “resident enterprise” by the PRC tax authorities. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.”

If the PRC tax authorities determine that ECMOHO Limited is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a



10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains 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 such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of ECMOHO Limited would be able to claim the benefits of any tax treaties between their country of tax residence and China in the event that ECMOHO Limited is treated as a PRC resident enterprise. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income."

#### U.S. Federal Income Taxation

This section describes the material U.S. federal income tax consequences of owning ordinary shares and ADSs. It applies to you only if you are a U.S. holder (as defined below) and you hold your ordinary shares or ADSs as capital assets for tax purposes. This discussion addresses only U.S. federal income taxation and does not discuss all of the tax consequences that may be relevant to you in light of your individual circumstances, including foreign, state or local tax consequences, estate and gift tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax, and your U.S. federal income tax consequences may be different than those described below if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organization;
- a life insurance company;
- a person that actually or constructively owns 10% or more of the combined voting power of our voting stock or of the total value of our stock;
- a person that holds ordinary shares or ADSs as part of a straddle or a hedging or conversion transaction;
- a person that purchases or sells ordinary shares or ADSs as part of a wash sale for tax purposes; or
- a U.S. person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings, court decisions and the income tax treaty between the United States and the PRC, or the Treaty, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. There is currently no comprehensive income tax treaty between the United States and the Cayman Islands.

If an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds the shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. Partnerships holding ordinary shares or ADSs and their partners should consult their tax advisors with regard to the U.S. federal income tax treatment of an investment in the ordinary shares or ADSs.

You are a U.S. holder if you are a beneficial owner of ADSs and you are, for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

You should consult your own tax advisor regarding the U.S. federal, state and local tax consequences of owning and disposing of ordinary shares or ADSs in your particular circumstances.

In general, and taking into account the earlier assumptions, for federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to U.S. federal income tax.

The tax treatment of your ordinary shares or ADSs will depend in part on whether or not we are a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. Except as discussed below under “—PFIC Rules,” this discussion assumes that we are not a PFIC for U.S. federal income tax purposes.

**Distributions.** Under the U.S. federal income tax laws, the gross amount of any distribution we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), other than certain pro-rata distributions of our shares, will be treated as a dividend that is subject to U.S. federal income taxation. If you are a noncorporate U.S. holder, dividends paid that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the ordinary shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the ADSs generally will be qualified dividend income provided that, in the year that you receive the dividend, the ADSs are readily tradable on an established securities market in the United States. Our ADSs are listed on the Nasdaq Global Market, and we therefore expect that dividends we pay with respect to the ADSs will be qualified dividend income. It is unclear whether dividends paid with respect to our ordinary shares will be qualified dividend income.

The dividend is taxable to you when you, in the case of ordinary shares, or the depository, in the case of ADSs, receives the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations.

Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the ordinary shares or ADSs and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with U.S. federal income tax principles. Accordingly, you should expect to generally treat distributions we make as dividends.

In the event that we were deemed to be a PRC resident enterprise under the Enterprise Income Tax Law, you might be subject to PRC withholding taxes on dividends paid to you with respect to the ordinary shares or ADSs. See “Item 10. Additional Information—E. Taxation—People’s Republic of China Taxation.” In that case, you must include any PRC tax withheld even though you do not in fact receive it. Subject to certain conditions and limitations, PRC withholding taxes on dividends, to the extent of the portion of the tax that could not be reduced or refunded under the Treaty or otherwise, would be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. Special rules would apply in determining the foreign tax credit limitation with respect to dividends that are subject to preferential tax rates. For purposes of calculating the foreign tax credit limitation, dividends will generally be income from sources outside the United States and will generally be “passive” 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.

**Sale or Disposition of ADSs or Ordinary Shares.** If you are a U.S. holder and you sell or otherwise dispose of your ordinary shares or ADSs, you will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your ordinary shares or ADSs. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. However, if we were treated as a PRC resident enterprise for Enterprise Income Tax Law 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. 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 may not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of our ordinary shares or ADSs unless such credit can be applied (subject to applicable limitations) against tax due on other income 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 requirements specified in the Treaty. Because the determination of whether you qualify for the benefits of the Treaty is fact-intensive and depends upon your particular circumstances, 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 in case any PRC tax is imposed on gain on a disposition of our ADSs, including the availability of the foreign tax credit and the election to treat any gain as PRC source, under your particular circumstances.

**PFIC Rules.** We do not expect to be a PFIC for our current taxable year or in the foreseeable future. However, this conclusion is a factual determination that is made annually and thus may be subject to change. It is therefore possible that we could be a PFIC for any taxable year. In addition, our current position that we are not a PFIC is based in part upon the estimated value of our goodwill, which is based on the expected market value of our ordinary shares or ADSs. Accordingly, we could become a PFIC in the future if there is a substantial decline in the value of our ordinary shares or ADSs.

In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our ordinary shares or ADSs:

- at least 75% of our gross income for the taxable year is passive income; or
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

“Passive income” generally includes dividends, interest, gains from the sale or exchange of investment property rents and royalties (other than certain rents and royalties derived in the active conduct of a trade or business) and certain other specified categories of income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation’s income.

If we are a PFIC for any taxable year and any entity in which we own equity interests were also a PFIC (any such entity, a “Lower-tier PFIC”), you would be deemed to own a proportionate amount (by value) of the shares of each Lower-tier PFIC and would be subject to U.S. federal income tax according to the rules described in the subsequent paragraph on (i) certain distributions by a Lower-tier PFIC and (ii) dispositions of shares of Lower-tier PFICs, in each case as if you held such shares directly, even though you had not received the proceeds of those distributions or dispositions.

If we are treated as a PFIC, and you are a U.S. holder that did not make a mark-to-market election, as described below, you will generally be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your ordinary shares or ADSs; and
- any excess distribution that we make to you (generally, any distributions to you during a single taxable year, other than the taxable year in which your holding period in the ordinary shares or ADSs begins, that are greater than 125% of the average annual distributions received by you in respect of the ordinary shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the ordinary shares or ADSs that preceded the taxable year in which you receive the distribution).

Under these rules:

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

Your ordinary shares or ADSs will generally be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your ordinary shares or ADSs, even if we are no longer satisfy the requirements to constitute a PFIC under the tests described above.

Alternatively, if we are a PFIC in a taxable year and our ordinary shares or ADSs are treated as “marketable stock” in such year, you may make a mark-to-market election with respect to your ADSs. If you make this election, you will not be subject to the PFIC rules described above, except that you will continue to be subject to the PFIC rules with respect to any Lower-tier PFIC that you are deemed to own under the rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your ordinary shares or ADSs at the end of the taxable year over your adjusted basis in your ordinary shares or ADSs. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your ordinary shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of

previously included income as a result of the mark-to-market election). Your basis in the ordinary shares or ADSs will be adjusted to reflect any such income or loss amounts. Any gain that you recognize on the sale or other disposition of your ordinary shares or ADSs would be ordinary income and any loss would be an ordinary loss to the extent of the net amount of previously included income as a result of the mark-to-market election and, thereafter, a capital loss.

In addition, notwithstanding any election you make with regard to the ordinary shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC (or are treated as a PFIC with respect to you) either in the taxable year of the distribution or the preceding taxable year. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the preferential rates applicable to qualified dividend income.

If you own ordinary shares or ADSs during any year that we are a PFIC with respect to you, you may be required to file Internal Revenue Service, or IRS, Form 8621.

#### **F. Dividends and Paying Agents**

Not applicable.

#### **G. Statement by Experts**

Not applicable.

#### **H. Documents on Display**

The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy statements and other information regarding registrants, including ECMOHO Limited, that file electronically with the SEC.

We also make our periodic reports as well as other information filed with or furnished to the SEC available, free of charge, through our website, at [www.ecmoho.com](http://www.ecmoho.com) (the content of our website does not form part of this annual report on Form 20-F).

The company is subject to the information requirements of the Exchange Act and, in accordance therewith, is obligated to file annual reports on Form 20-F within the time specified by the SEC and furnish other reports and information on Form 6-K to the SEC. As a foreign private issuer, the company is exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders.

The SEC allows us to “incorporate by reference” the information we file with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report on Form 20-F.

#### **I. Subsidiary Information**

Not applicable.

### **Item 11. Quantitative and Qualitative Disclosures about Market Risk**

#### ***Foreign Exchange Risk***

A portion of our total net revenues and expenses are denominated in Renminbi. Renminbi are not freely convertible into foreign currencies, including U.S. dollars. Our exposure to foreign exchange risk primarily relates to cash and cash equivalents and short-term borrowings denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs is affected by the exchange rate between U.S. dollar and Renminbi because the earnings of our PRC subsidiaries and VIE are denominated in Renminbi, while our ADSs are traded in U.S. dollars.

The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Following the removal of the U.S. dollar peg, the Renminbi 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 Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the PRC government has allowed the Renminbi to appreciate slowly against the U.S. dollar again, and it has appreciated more than 10% since June 2010. On August 11, 2015, the People's Bank of China announced plans to improve the central parity rate of the Renminbi against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the People's Bank of China with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. Effective from October 1, 2016, the International Monetary Fund added Renminbi to its Special Drawing Rights currency basket. Such change and additional future changes may increase volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. Accordingly, it is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of Renminbi against the U.S. dollar would reduce the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ADSs, servicing our outstanding debt, or for other business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amounts available to us.

As of December 31, 2020, we had Renminbi-denominated cash and cash equivalents amounting to US\$4.0 million at the exchange rate of RMB6.5249 for US\$1.00 as published by the People's Bank of China on the same date. If Renminbi had depreciated by 10% against the U.S. dollar, our cash and cash equivalents would have decreased by US\$367.5 thousand.

#### **Interest Rate Risk**

Our exposure to interest rate risk primarily relates to the interest expenses incurred on our short-term borrowings. As of December 31, 2020, we had short-term borrowings of US\$16.9 million, of which 55.5% were denominated in U.S. dollars and 44.5% in Renminbi. The interest rates of our U.S. dollar-denominated short-term borrowings are pegged to the three-month LIBOR, and the interest rates of our Renminbi-denominated short-term borrowings are pegged to the loan prime rate published by the People's Bank of China. These short-term borrowings carry a degree of interest rate risk. We have not been exposed to material risks due to changes in interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, our future interest expenses may increase due to changes in market interest rates. As of December 31, 2020, our short-term borrowings had a weighted average interest rate of 7.4% per annum.

#### **Off-Balance Sheet Commitments and Arrangements**

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our own shares and classified as shareholder's equity, or that are not reflected in our consolidated combined financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

#### **Recent Accounting Pronouncements**

For a discussion of recent accounting pronouncements that are relevant to us, see Note 2(ak) to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

### **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 Payable by ADS Holders

Citibank, N.A., located at 388 Greenwich Street, New York, New York 10013, as depositary under the company's ADS program, collects fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them on such fees as per the deposit agreement.

An ADS holder is required to pay the following service fees to the depositary:

Service	Fees
<ul style="list-style-type: none"> <li>Issuance of ADSs (e.g., an issuance of ADS upon a deposit of Class A ordinary shares, upon a change in the ADS(s)-to-Class A ordinary share(s) ratio, or for any other reason), excluding ADS issuances as a result of distributions of Class A ordinary shares)</li> </ul>	Up to U.S. 5¢ per ADS issued
<ul style="list-style-type: none"> <li>Cancellation of ADSs (e.g., a cancellation of ADSs for delivery of deposited property, upon a change in the ADS(s)-to-Class A ordinary share(s) ratio, or for any other reason)</li> </ul>	Up to U.S. 5¢ per ADS canceled
<ul style="list-style-type: none"> <li>Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)</li> </ul>	Up to U.S. 5¢ per ADS held
<ul style="list-style-type: none"> <li>Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs</li> </ul>	Up to U.S. 5¢ per ADS held
<ul style="list-style-type: none"> <li>Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)</li> </ul>	Up to U.S. 5¢ per ADS held
<ul style="list-style-type: none"> <li>ADS Services</li> </ul>	Up to U.S. 5¢ per ADS held on the applicable record date(s) established by the depositary bank
<ul style="list-style-type: none"> <li>Registration of ADS transfers (e.g., upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and <i>vice versa</i>, or for any other reason)</li> </ul>	Up to U.S. 5¢ per ADS (or fraction thereof) transferred
<ul style="list-style-type: none"> <li>Conversion of ADSs of one series for ADSs of another series (e.g., upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs (each as defined in the Deposit Agreement) into freely transferable ADSs, and <i>vice versa</i>).</li> </ul>	Up to U.S. 5¢ per ADS (or fraction thereof) converted

and certain charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees as may from time to time be in effect for the registration of Class A ordinary shares on the share register and applicable to transfers of Class A ordinary shares to or from the name of the custodian, the depositary bank or any nominees upon the making of deposits and withdrawals, respectively;
- certain cable, telex and facsimile transmission and delivery expenses;
- the fees, expenses, spreads, taxes and other charges of the depositary bank and/or service providers (which may be a division, branch or affiliate of the depositary bank) in the conversion of foreign currency;
- any reasonable and customary out-of-pocket expenses incurred by the depositary bank in connection with conversion of foreign currency compliance with currency exchange control or other governmental requirements; and
- the fees, charges, costs and expenses incurred by the depositary bank, the custodian, or any nominee in connection with the ADR program.

The fees and charges an ADS holder may be required to pay may vary over time and may be changed by us and by the depositary. ADS holders will receive prior notice of increases in such fees and charges.

**Fees and Other Payments Made by the Depositary to us**

In 2020, we did not receive any payments from the depositary for standard out-of-pocket maintenance costs of its ADS program, including, but not limited to, continuing annual stock exchange listing fees, special investor promotion activities, issue-related expenses, cost for preparing and audit of U.S. GAAP accounts, legal and accounting fees associated with listing on the Nasdaq Global Market, miscellaneous expenses such as costs associated with votes by ADS holders and payments made to proxy firms.

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds****Material Modifications to the Rights of Security Holders and Use of Proceeds**

See “Item 10. Additional Information” for a description of the rights of shareholders, which remain unchanged.

**Use of Proceeds**

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File Number 333-233951), in relation to our initial public offering of 4,675,000 ADSs (including 300,000 ADSs sold upon the exercise of the underwriters’ over-allotment option) representing 18,700,000 Class A ordinary shares, at an initial offering price of US\$10.00 per ADS. Our initial public offering was closed in November 2019. UBS Securities LLC, China International Capital Corporation Hong Kong Securities Limited and AMTD Global Markets Limited were the joint book-running managers for our initial public offering.

The registration statement on Form F-1 was declared effective by the SEC on November 7, 2019. For the period from the effective date of the registration statement on Form F-1 to December 31, 2020, the total expenses incurred for our company’s account in connection with our initial public offering was approximately US\$11.7 million, which included US\$7.9 million in underwriting discounts and commissions for the initial public offering and approximately US\$3.8 million in other costs and expenses for our initial public offering. We received net proceeds of approximately US\$35.0 million from our initial public offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

For the period from the date that the registration statement on Form F-1 was declared effective by the SEC to December 31, 2020, the net proceeds received from our initial public offering were mainly kept as bank deposits.

We still intend to use the remainder of the proceeds from our initial public offering as disclosed in our registration statement on Form F-1.

**Item 15. Controls and Procedures****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, as of December 31, 2020, our disclosure controls and procedures were not effective. We have started to undertake steps to remediate the material weakness in our disclosure controls and procedures as set forth below under “Internal Control over Financial Reporting.”

**Management’s Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15 (f) under the Exchange Act. Our management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our internal control over financial reporting based on criteria established in the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was not effective as of December 31, 2020.



Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

#### **Attestation Report of the Registered Public Accounting Firm**

This annual report on Form 20-F does not include an attestation report of our registered public accounting firm due to rules of the SEC where domestic and foreign registrants that are “emerging growth companies” which we are, are not required to provide the auditor attestation report.

#### **Internal Control over Financial Reporting**

In the course of preparing and auditing our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019, we and our former independent registered public accounting firm identified one “material weakness” in our internal control over financial reporting as of December 31, 2019. In accordance with U.S. GAAP and financial reporting requirements set forth by the SEC, a “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual or interim financial statements will not be prevented or detected on a timely basis.

This material weakness, which was first identified in the course of preparing our consolidated financial statements for the year ended December 31, 2018, relates to our lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to formalize key controls over financial reporting and to prepare consolidated financial statements and related disclosures.

We have started to undertake steps to strengthen our internal control over financial reporting, including: (i) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel; (ii) establishing effective oversight and clarifying reporting requirements for non-recurring and complex transactions to ensure consolidated financial statements and related disclosures are accurate, complete and in compliance with SEC reporting requirements; and (iii) preparing comprehensive accounting policies, manuals and closing procedures to improve the quality and accuracy of our period-end financial closing process. We also plan to hire more qualified personnel equipped with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function. However, such measures have not been fully implemented, and we concluded that the material weakness in our internal control over financial reporting had not been fully remediated as of December 31, 2020.

In the course of preparing and auditing our consolidated financial statements for the years ended December 31, 2020, pursuant to new information technology methodology, we and our independent registered public accounting firm identified one additional material weakness in our internal control over financial reporting as of December 31, 2020, relating to the information technology general control, in the areas of system security, and access and separation of duties. Following the identification of the material weakness, we plan to take measures to remedy our information technology general control, including to allocate the responsibility of managing the administrative accounts separately among different personnel to avoid one person having all the administrative authority at the same time.

As a company with less than US\$1.07 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to 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 exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, related to the assessment of the effectiveness of the emerging growth company’s internal control over financial reporting.

#### **Changes in Internal Control over Financial Reporting**

Other than as described above, there were not any changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 16**                    **RESERVED****Item 16A.**                **Audit Committee Financial Expert**

The board has determined that Mr. Greg Ye, the Chair of our Audit Committee, qualifies as an “audit committee financial expert” as defined under the applicable rules of the SEC issued pursuant to Section 407 of the Sarbanes-Oxley Act of 2002. For detailed biographical information on Mr. Ye, see “Item 6. Directors, Senior Management and Employees— A. Directors and Senior Management.” Mr. Ye satisfies the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules and meets the independence standards under Rule 10A-3 under the Exchange Act, as amended.

**Item 16B.**                **Code of Ethics**

We have adopted a Code of Business Conduct and Ethics, which is applicable to all of our directors, executive officers and employees. We filed our code of ethics as Exhibit 99.1 of our registration statement on Form F-1 (File No. 333-233951) filed with the SEC on November 7, 2019. The code of ethics is also publicly available on our website, [www.ecmoho.com](http://www.ecmoho.com) (the content of our website does not form part of this annual report on Form 20-F).

In addition, our board of directors has adopted a set of corporate governance guidelines covering a variety of matters, including approval of related party transactions. Our corporate governance guidelines also provide that any adoption of a new stock incentive plan and any material amendments to such plans will be subject to the approval of our non-executive directors. 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 applicable law, rule or regulation or our amended articles of association.

**Item 16C.**                **Principal Accountant Fees and Services**

The following table sets forth the aggregate fees, by categories, in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP and Friedman LLP, our independent public accountants for the years indicated. We did not pay any other fees to our auditors during the years indicated below.

	Year Ended December 31,	
	2020	2019
	(in thousands of U.S. dollars)	
Audit Fees(1)	851	1,515
Audit-Related Fees	—	—
Tax Fees(2)	—	22
All Other Fees	—	—
<b>Total</b>	<b>851</b>	<b>1,537</b>

## Notes:

- (1) “Audit Fees” represents the aggregate fees billed for each of the fiscal years listed for professional services rendered by our principal auditors for the audit or review of our annual or quarterly financial statements, and fees for assurance services rendered in connection with our initial public offering in 2019. We paid or accrued expenses of US\$360,613 for the fiscal years ended December 31, 2020 related to our predecessor auditor.
- (2) “Tax Fees” represents the aggregate fees for professional services rendered by our principal auditors for tax advisory.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our independent public accountant, including audit services, audit-related services and other services as described above. All of the services of Friedman LLP described above were in accordance with the audit committee pre-approval policy.

**Item 16D.**                **Exemptions from the Listing Standards for Audit Committees**

See “Item 16G. Corporate Governance.”

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Neither we nor any “affiliated purchaser,” as defined in Rule 10b-18(a)(3) of the Exchange Act, purchased any of our equity securities during the period covered by this annual report.

**Item 16F. Change in Registrant’s Certifying Accountant**

On October 23, 2020, PricewaterhouseCoopers Zhong Tian LLP, or PwC, was dismissed as our independent registered public accounting firm. Effective from the same date, we appointed Friedman LLP as our independent registered public accounting firm for the fiscal year ended December 31, 2020. The change of auditor was approved by our board of directors and audit committee.

PwC’s report on our consolidated financial statements as of and for the years ended December 31, 2018 and 2019 did not contain any adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principle.

During the fiscal years ended December 31, 2018 and 2019 and subsequent interim period through October 23, 2020, we did not have any disagreements, as that term is defined in Item 16F(a)(1)(iv) of Form 20-F and the related instructions thereto, with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures that, if not resolved to the satisfaction of PwC, would have caused them to make reference to the subject matter of the disagreement in connection with its audit reports on our consolidated financial statements for the two fiscal years ended December 31, 2019.

During the fiscal years ended December 31, 2018 and 2019 and subsequent interim period through October 23, 2020, there were no “reportable events,” as defined in Item 16F (a)(1)(v) of Form 20-F, other than the material weakness reported by management in Item 15 of our annual report on Form 20-F filed with the SEC on June 12, 2020. The material weakness relates to our lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to formalize key controls over financial reporting and to prepare consolidated financial statements and related disclosures.

During the fiscal years ended December 31, 2018 and 2019 and subsequent interim period through October 23, 2020, neither we nor anyone on our behalf consulted with Friedman LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, nor has Friedman LLP provided to us a written report or oral advice that Friedman LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a “disagreement” with Friedman LLP as that term is defined in Item 16F(a)(1)(iv) of Form 20-F and the related instructions to Item 16F of Form 20-F, or a “reportable event,” as that term is described in Item 16F(a)(1)(v) of Form 20-F.

We provided a copy of this disclosure to PwC and requested that PwC furnish us with a letter addressed to the SEC stating whether it agrees with the statements made above, and if not, stating the respects in which it does not agree. A copy of PwC’s letter dated April 30, 2021 is attached herewith as Exhibit 16.1.

**Item 16G. Corporate Governance**

As a Cayman Islands exempted company with limited liability listed on the Nasdaq Global Market, we are subject to the Nasdaq Stock Market Rules for corporate governance listing standards. However, we qualify as a foreign private issuer (as defined in Rule 3b-4 under the Exchange Act) under the Nasdaq Stock Market Rules and we are permitted to follow home country practice in respect of certain corporate governance matters. As a result, our corporate governance practices differ in some respects from those required to be followed by U.S. companies listed on the Nasdaq Global Market. For example, we do not (i) have a majority of the board be independent; (ii) have a compensation committee or a nominating and corporate governance committee consisting entirely of independent directors; or (iii) have an audit committee be composed of at least three members. Other than those described above, there are no other significant differences between our corporate governance practices and those followed by U.S. domestic companies under the Nasdaq Stock Market Rules. We may also continue to rely on these and other exemptions available to foreign private issuers in the future, and to the extent that we choose to do so, our shareholders may be afforded less protection than they otherwise would have under the Nasdaq Stock Market Rules applicable to U.S. domestic issuers. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our ADSs—As a foreign private issuer, we are permitted to, and we will continue to, rely on exemptions from certain Nasdaq corporate governance standards applicable to domestic U.S. issuers. This may afford less protection to holders of our Class A ordinary shares and holders of the ADSs than they would enjoy if we were a domestic U.S. company.”

Furthermore, we are also permitted to rely on exemptions afforded to controlled companies. Our co-founders, Ms. Zoe Wang, who serves as our Chairman and Chief Executive Officer, and Mr. Leo Zeng, who serves as our Chief Operating Officer and Acting Chief Financial Officer, collectively hold 90.8% of the total voting rights in our company as of April 15, 2021, and we are, and expect to continue to be, a “controlled company” as defined under the Nasdaq Stock Market Rules. We currently rely on the exemptions with respect to (i) the requirement that a majority of the board of directors consist of independent directors, and (ii) the requirement that the compensation committee and the nominating and corporate governance committee consist entirely of independent directors. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our ADSs—We are a “controlled company” within the meaning of the Nasdaq corporate governance requirements, which may result in public investors having less protection than they would if we were not a controlled company.” Even if we cease to be a controlled company, we may still rely on exemptions available to foreign private issuers, including being able to adopt home country practices in relation to corporate governance matters, as described above.

We strive to evolve and update our corporate governance guidelines and best practices in the interest of transparency, long-term shareholder value and respect for minority shareholders. We disclose timely and accurate information regarding our operations and performance.

**Item 16H. Mine Safety Disclosure**

Not applicable.

## PART III

**Item 17. Financial Statements**

The company has responded to Item 18 in lieu of Item 17.

**Item 18. Financial Statements**

The information required by this item is set forth beginning on page F-1 of this annual report on Form 20-F.

**Item 19. Exhibits**

Exhibit Number	Description
1.1	<a href="#"><u>Third Amended and Restated Memorandum of Association and Articles of Association (incorporated by reference to Exhibit 3.2 to the registration statement on Form F-1 (File No. 333-233951), as amended, initially filed with the SEC on September 26, 2019)</u></a>
2.1	<a href="#"><u>Registrant's Specimen American Depositary Receipt (incorporated by reference to Exhibit 4.1 to the registration statement on Form F-1 (File No. 333-233951), as amended, initially filed with the SEC on September 26, 2019)</u></a>
2.2	<a href="#"><u>Registrant's Specimen Certificate for Class A ordinary shares (incorporated by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-233951), as amended, initially filed with the SEC on September 26, 2019)</u></a>
2.3	<a href="#"><u>Deposit Agreement, among the Registrant, Citibank, N.A., as the depository and the holders and beneficial owners of American Depositary Shares issued thereunder (incorporated by reference to Exhibit 99.(A) to the registration statement on Form F-6 (File No. 333-234148), as amended, initially filed with the SEC on October 10, 2019)</u></a>
2.4	<a href="#"><u>Description of securities registered under Section 12 of the Securities Exchange Act, as amended (incorporated by reference to Exhibit 2.4 to the annual report on Form 20-F (File No. 001-39121), filed with the SEC on June 12, 2020)</u></a>
4.1	<a href="#"><u>English translation of the Exclusive Technology Consulting and Service Agreement between ECMOHO Limited and Shanghai Yibo Medical Equipment Co., Ltd., dated November 28, 2018 (incorporated by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-233951), as amended, initially filed with the SEC on September 26, 2019)</u></a>
4.2	<a href="#"><u>English translation of the Equity Pledge Agreement among Shanghai ECMOHO Health Biotechnology Co., Ltd., Shanghai Yibo Medical Equipment Co., Ltd., and the shareholders of Shanghai Yibo Medical Equipment Co., Ltd., dated November 28, 2018 (incorporated by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-233951), as amended, initially filed with the SEC on September 26, 2019)</u></a>
4.3	<a href="#"><u>English translation of the Exclusive Call Option Agreement among Shanghai ECMOHO Health Biotechnology Co., Ltd., Shanghai Yibo Medical Equipment Co., Ltd. and the shareholders of Shanghai Yibo Medical Equipment Co., Ltd., dated November 28, 2018 (incorporated by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-233951), as amended, initially filed with the SEC on September 26, 2019)</u></a>
4.4	<a href="#"><u>English translation of the Powers of Attorney by the shareholders of Shanghai Yibo Medical Equipment Co., Ltd., dated November 28, 2018 (incorporated by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-233951), as amended, initially filed with the SEC on September 26, 2019)</u></a>
4.5	<a href="#"><u>English translation of the Confirmation Letters from the shareholders of Shanghai Yibo Medical Equipment Co., Ltd., dated November 28, 2018 (incorporated by reference to Exhibit 10.5 to the registration statement on Form F-1 (File No. 333-233951), as amended, initially filed with the SEC on September 26, 2019)</u></a>

- 4.6 [English translation of the Spousal Consent Letters from the respective spouses of the shareholders of Shanghai Yibo Medical Equipment Co., Ltd., dated November 28, 2018 \(incorporated by reference to Exhibit 10.6 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.7 [Preferred Share Purchase Agreement by and among ECMOHO Limited, ECMOHO \(Hong Kong\) Health Technology Limited, Shanghai ECMOHO Health Biotechnology Co. Ltd., Zoe Wang, Leo Zeng and Delta Capital Fund II, L.P and Shua-Lien Li, dated August 2, 2018 \(incorporated by reference to Exhibit 10.13 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.8 [Joinder Agreement by STCH Investment Inc., dated August 2, 2018, to the Preferred Share Purchase Agreement by and among ECMOHO Limited, ECMOHO \(Hong Kong\) Health Technology Limited, Shanghai ECMOHO Health Biotechnology Co. Ltd., Zoe Wang, Leo Zeng and Delta Capital Fund II, L.P and Shua-Lien Li, dated August 2, 2018 \(incorporated by reference to Exhibit 10.14 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.9 [Joinder Agreement by Tim One International Limited, dated August 23, 2018, to the Preferred Share Purchase Agreement by and among ECMOHO Limited, ECMOHO \(Hong Kong\) Health Technology Limited, Shanghai ECMOHO Health Biotechnology Co. Ltd., Zoe Wang, Leo Zeng and Delta Capital Fund II, L.P and Shua-Lien Li, dated August 2, 2018 \(incorporated by reference to Exhibit 10.15 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.10 [Joinder Agreement by Voyager Advisors Limited, dated September 6, 2018, to the Preferred Share Purchase Agreement by and among ECMOHO Limited, ECMOHO \(Hong Kong\) Health Technology Limited, Shanghai ECMOHO Health Biotechnology Co. Ltd., Zoe Wang, Leo Zeng and Delta Capital Fund II, L.P and Shua-Lien Li, dated August 2, 2018 \(incorporated by reference to Exhibit 10.16 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.11 [Share Subscription Agreement by and among ECMOHO Limited, CID Greater China Fund V, L.P, STCH Investments Inc., Smart Warrior Limited and Canarywharf Capital Limited, dated August 7, 2018 \(incorporated by reference to Exhibit 10.17 to the registration statement on Form F-1 \(File no. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.12 [Investors Rights Agreement by and among ECMOHO Limited, Behealth Limited, Uhealth Limited, ECMOHO \(Hong Kong\) Health Technology Limited, Shanghai ECMOHO Health Biotechnology Co., Ltd., Zoe Wang, Leo Zeng and each of the Investors Listed in Exhibit A thereto, dated August 7, 2018 \(incorporated by reference to Exhibit 10.18 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.13 [ECMOHO 2018 Omnibus Incentive Plan \(incorporated by reference to Exhibit 10.19 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.14 [English translation of the Equity Transfer Agreement between ECMOHO \(Hong Kong\) Health Technology Limited and the shareholders of Shanghai ECMOHO Health Biotechnology Co. Ltd., dated July 26, 2018 \(incorporated by reference to Exhibit 10.20 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.15 [English translation of the Equity Transfer Agreement by and between Ningbo Yuanyuan Liuchang Investment Center \(Limited Liability\) and Yipinda \(Shanghai\) Health Technology Co., Ltd., Shanghai ECMOHO Health Biotechnology Co., Ltd., Zoe Wang and Leo Zeng, dated June 25, 2019 \(incorporated by reference to Exhibit 10.21 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)

- 4.16 [English translation of the Equity Transfer Agreement by and between Suzhou Dade Hongqiang Investment Center \(Limited Liability\) and Yipinda \(Shanghai\) Health Technology Co., Ltd., Shanghai ECMOHO Health Biotechnology Co., Ltd., Zoe Wang and Leo Zeng, dated June 25, 2019 \(incorporated by reference to Exhibit 10.22 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.17 [English translation of the Equity Transfer Agreement by and between Beijing Tianrun Diliang Investment Co., Ltd. and Yipinda \(Shanghai\) Health Technology Co., Ltd., Shanghai ECMOHO Health Biotechnology Co., Ltd., Zoe Wang and Leo Zeng, dated June 25, 2019 \(incorporated by reference to Exhibit 10.23 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.18 [English translation of the Loan Agreement between ECMOHO Limited and Taipei Fubon Commercial Bank Co. Limited, dated October 18, 2018 \(incorporated by reference to Exhibit 10.24 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.19 [Charges pursuant to the Loan Agreement with Taipei Fubon Commercial Bank Co. Limited over the inventories of Import-It Corp. and ECMOHO \(Hong Kong\) Limited, dated November 23, 2018 \(incorporated by reference to Exhibit 10.25 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.20 [Charges pursuant to the Loan Agreement with Taipei Fubon Commercial Bank Co. Limited over the receivables of Import-It Corp. and ECMOHO \(Hong Kong\) Limited, dated November 23, 2018 \(incorporated by reference to Exhibit 10.26 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.21 [Charges pursuant to the Loan Agreement with Taipei Fubon Commercial Bank Co. Limited over the bank accounts of Import-It Corp. and ECMOHO \(Hong Kong\) Limited, dated November 23, 2018 \(incorporated by reference to Exhibit 10.27 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.22 [Charges pursuant to the Loan Agreement with Taipei Fubon Commercial Bank Co. Limited over the shares held by Behealth Limited and Uhealth Limited, dated November 23, 2018 \(incorporated by reference to Exhibit 10.28 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.23 [English translation of agreements in relation to the loan provided by Industrial Bank Co., Ltd. to Shanghai ECMOHO Health Biotechnology Co., Ltd. and guaranteed by Zoe Wang and Leo Zeng, dated June 12, 2018 \(incorporated by reference to Exhibit 10.29 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.24 [English translation of agreements in relation to the loan provided by Ping An Bank Co., Ltd. to Shanghai Tonggou Information Technology Co., Ltd. and guaranteed by Zoe Wang, Leo Zeng and Shanghai ECMOHO Health Biotechnology Co., Ltd., dated June 15, 2018 \(incorporated by reference to Exhibit 10.30 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.25 [English translation of agreements in relation to the loan provided by HSBC Bank \(China\) Company Limited to Shanghai Tonggou Information Technology Co., Ltd. and guaranteed by Zoe Wang, Leo Zeng, Shanghai ECMOHO Health Biotechnology Co., Ltd. and ECMOHO \(Hong Kong\) Limited, dated November 19, 2018 \(incorporated by reference to Exhibit 10.31 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.26 [English translation of agreements in relation to the loan provided by Fubon Bank \(China\) Co., Ltd. to Shanghai Tonggou Information Technology Co., Ltd. and guaranteed by Zoe Wang, Leo Zeng and Shanghai ECMOHO Health Biotechnology Co., Ltd., dated September 25, 2018 \(incorporated by reference to Exhibit 10.32 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)

- 4.27 [English translation of agreements in relation to the loan provided by China Everbright Bank Co., Ltd. to Shanghai ECMOHO Health Biotechnology Co., Ltd. and guaranteed by Zoe Wang and Leo Zeng, dated December 14, 2018 \(incorporated by reference to Exhibit 10.33 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.28 [English translation of the loan agreement among Shanghai Focus Brand Management Co., Ltd., Shanghai ECMOHO Health Biotechnology Co., Ltd. and Zoe Wang, dated October 22, 2018 \(incorporated by reference to Exhibit 10.34 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.29 [English translation of the loan provided by China Merchants Bank Co., Ltd. to Shanghai ECMOHO Health Biotechnology Co., Ltd. and guaranteed by Zoe Wang, Leo Zeng and Shanghai Tonggou Information Technology Co., Ltd., dated March 12, 2019 \(incorporated by reference to Exhibit 10.35 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.30 [English translation of the loan provided by Ningbo Commerce Bank Co., Ltd to Shanghai ECMOHO Health Biotechnology Co., Ltd. and guaranteed by Zoe Wang and Leo Zeng, dated May 6, 2019 \(incorporated by reference to Exhibit 10.36 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.31 [English translation of the Loan Agreements between ECMOHO \(Hong Kong\) Limited and Techlong International Investments Limited, dated September 18, 2017, March 28, 2018 and April 3, 2018, respectively \(incorporated by reference to Exhibit 10.37 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.32 [Agreements in relation to the loan provided by The Hongkong and Shanghai Banking Corporation Limited to ECMOHO \(Hong Kong\) Limited, dated October 29, 2018 \(incorporated by reference to Exhibit 10.38 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.33 [Form of indemnification agreements between ECMOHO Limited and the directors and executive officers of ECMOHO Limited and employment agreements between ECMOHO Limited and the directors of ECMOHO Limited \(incorporated by reference to Exhibit 10.39 to the registration statement on Form F-1 \(File No. 333-233951\), as amended, initially filed with the SEC on September 26, 2019\)](#)
- 4.34 [English translation of the Equity Transfer Agreement by and among Yiling \(Shanghai\) Information Technology Co., Ltd., Daniel Wang, Shanghai Xianggui Health Management Co., Ltd. and Xianggui \(Shanghai\) Biotechnology Co., Ltd., dated April 27, 2020 \(incorporated by reference to Exhibit 4.40 to the annual report on Form 20-F \(File No. 001-39121\), filed with the SEC on June 12, 2020\)](#)
- 4.35 [English translation of the Agreement on Contract Cancellation by and among Xianggui \(Shanghai\) Biotechnology Co., Ltd., Yang Infinity \(Shanghai\) Biotechnology Co., Limited, Zoe Wang, Leo Zeng and Shanghai Xianggui Health Management Co., Ltd., dated April 27, 2020 with respect to the cancellation of the contractual arrangements with Yang Infinity \(Shanghai\) Biotechnology Co., Limited \(incorporated by reference to Exhibit 4.41 to the annual report on Form 20-F \(File No. 001-39121\), filed with the SEC on June 12, 2020\)](#)
- 4.36 [English translation of the Agreement on Cancellation of Equity Pledge Contract between Xianggui \(Shanghai\) Biotechnology Co., Ltd. and Zoe Wang, dated April 27, 2020 \(incorporated by reference to Exhibit 4.42 to the annual report on Form 20-F \(File No. 001-39121\), filed with the SEC on June 12, 2020\)](#)
- 4.37 [English translation of the Agreement on Cancellation of Equity Pledge Contract between Xianggui \(Shanghai\) Biotechnology Co., Ltd. and Leo Zeng, dated April 27, 2020 \(incorporated by reference to Exhibit 4.43 to the annual report on Form 20-F \(File No. 001-39121\), filed with the SEC on June 12, 2020\)](#)
- 4.38 [English translation of the Loan Agreements between ECMOHO Limited and Techlong International Investments Limited, dated November 12, 2019 \(incorporated by reference to Exhibit 4.44 to the annual report on Form 20-F \(File No. 001-39121\), filed with the SEC on June 12, 2020\)](#)



4.39	<a href="#">English translation of the Supplementary Loan Agreement by and among Techlong International Investments Limited, ECMOHO Limited, Uhealth Limited and Leo Zeng, dated May 29, 2020 (incorporated by reference to Exhibit 4.45 to the annual report on Form 20-F (File No. 001-39121), filed with the SEC on June 12, 2020)</a>
4.40	<a href="#">English translation of the Supplementary Loan Agreement by and among Techlong International Investments Limited, ECMOHO (Hong Kong) Health Technology Limited, Uhealth Limited and Leo Zeng, dated May 29, 2020 English translation of the Supplementary Loan Agreement by and among Techlong International Investments Limited, ECMOHO (Hong Kong) Health Technology Limited, Uhealth Limited and Leo Zeng, dated May 29, 2020 (incorporated by reference to Exhibit 4.46 to the annual report on Form 20-F (File No. 001-39121), filed with the SEC on June 12, 2020)</a>
4.41*	<a href="#">English translation of the Shanghai Jieshi Technology Co., Ltd. Equity Transfer Agreement by and among Yijiasancan (Shanghai) E-commerce Co., Ltd. and Shanghai Xianggui Health Technology Co., Ltd. dated July 9, 2020</a>
4.42*	<a href="#">English translation of the Shanghai Hengshoutang Health Technology Co., Ltd. Equity Transfer Agreement by and among Yijiasancan (Shanghai) E-commerce Co., Ltd. and Shanghai Xianggui Health Technology Co., Ltd. dated October 28, 2020</a>
4.43*	<a href="#">Shareholder's Agreement by and among ECMOHO (Hong Kong) Health Technology Limited, Huizhi Zhang, Yue Tang, Ling Ma and Anze Premium Health and Beauty Pte. Ltd. dated July 23, 2020</a>
4.44*	<a href="#">Share Sale and Purchase Agreement by the among ECMOHO (Hong Kong) Health Technology Limited, Ling Ma and Anze Premium Health and Beauty Pte. Ltd. dated July 23, 2020</a>
4.45*	<a href="#">Note Purchase Agreement by and among Anze Premium Health and Beauty Pte. Ltd., ECMOHO (Hong Kong) Health Technology Limited, Huizhi Zhang, Yue Tang and Ling Ma dated July 23, 2020</a>
8.1*	<a href="#">List of Significant Subsidiaries and VIE</a>
11.1	<a href="#">Code of Business Conduct and Ethics (incorporated by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-233951), as amended, initially filed with the SEC on September 26, 2019)</a>
12.1*	<a href="#">Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
12.2*	<a href="#">Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1**	<a href="#">Certification by the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
13.2**	<a href="#">Certification by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
15.1*	<a href="#">Consent of Commerce &amp; Finance Law Offices</a>
15.2*	<a href="#">Consent of Walkers (Hong Kong)</a>
15.3*	<a href="#">Consent of Friedman LLP</a>
15.4*	<a href="#">Consent of PricewaterhouseCoopers Zhong Tian LLP</a>
16.1*	<a href="#">Letter from PricewaterhouseCoopers Zhong Tian LLP to the Securities and Exchange Commission</a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

101.LAB\* XBRL Taxonomy Extension Label Linkbase Document

101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document

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\* 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.

April 30, 2021

**ECMOHO LIMITED**

By /s/ Zoe Wang  
Name: **Zoe Wang**  
Title: **Chairman & Chief Executive Officer**

By /s/ Leo Zeng  
Name: **Leo Zeng**  
Title: **Director, Chief Operating Officer & Acting Chief Financial Officer**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of ECMOHO Limited

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of ECMOHO Limited and Subsidiaries (collectively, the "Company") as of December 31, 2020, and the related consolidated statements of operations and comprehensive income/(loss), changes in shareholders' (deficit)/equity, and cash flows for the year ended December 31, 2020, 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 as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Friedman LLP

We have served as the Company's auditor since 2020.

New York, New York  
April 30, 2021

One Liberty Plaza, 165 Broadway, 21<sup>st</sup> Floor, New York, NY 10006 p 212.842.7000

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To the Board of Directors and Shareholders of ECMOHO Limited

**Opinion on the Financial Statements**

We have audited the consolidated balance sheet of ECMOHO Limited and its subsidiaries (the “Company”) as of December 31, 2019, and the related consolidated statements of comprehensive income, of changes in shareholders’ (deficit)/equity and of cash flows for each of the two years in the period ended December 31, 2019, including 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 as of December 31, 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated 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 of these consolidated financial statements 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 consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers Zhong Tian LLP  
Shanghai, the People’s Republic of China

June 12, 2020

We served as the Company’s auditor from 2018 to 2020.

**ECMOHO LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2019 AND 2020**

	Note	As of December 31, 2019 US\$	As of December 31, 2020 US\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	49,098,841	45,284,308
Restricted cash	16	2,000,054	—
Accounts receivable, net	7	49,829,419	42,005,638
Inventories	8	49,894,514	33,263,094
Prepayments and other current assets	9	21,366,262	9,200,238
Loan receivables	13	—	646,000
<b>Total current assets</b>		<b>172,189,090</b>	<b>130,399,278</b>
Property and equipment, net	10	1,428,979	966,509
Intangible assets, net	12	1,311,653	565,106
Operating lease right-of-use assets	11	1,203,961	2,434,221
Deferred tax assets	26	787,697	829,389
Long-term investment	15	—	5,904,000
Other non-current assets	14	1,538,996	1,529,406
<b>Total assets</b>		<b>178,460,376</b>	<b>142,627,909</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Short term borrowings</b>			
Short term borrowings	16	34,515,953	16,942,751
Accounts payable		26,439,191	24,190,898
Amounts due to related parties	27	16,233,461	9,400,708
Operating lease liabilities, current	11	1,052,046	411,557
Advance from customers		1,043,004	730,630
Salary and welfare payables (including salary and welfare payables of the consolidated VIEs and VIE's subsidiary without recourse to the Group of US\$ 21,695 and US\$ 4,604 as of December 31, 2019 and 2020, respectively)		718,698	821,044
Tax payables (including tax payables of the consolidated VIEs and VIE's subsidiary without recourse to the Group of US\$ 1,010 and US\$ 250 as of December 31, 2019 and 2020, respectively)	18	3,042,834	3,574,217
Accrued liabilities and other current liabilities (including accrued liabilities and other current liabilities of the consolidated VIEs and VIE's subsidiary without recourse to the Group of US\$ 7,238 and US\$ 122,915 as of December 31, 2019 and 2020, respectively)	17	10,516,988	5,038,861
<b>Total current liabilities</b>		<b>93,562,175</b>	<b>61,110,666</b>
Deferred tax liabilities	26	138,406	24,684
Operating lease liabilities, non-current	11	69,347	1,938,885
<b>Total liabilities</b>		<b>93,769,928</b>	<b>63,074,235</b>
<b>Commitments and contingencies (Note 29)</b>			
<b>Shareholders' equity:</b>			
Class A Ordinary Shares, US\$ 0.00001 par value; 4,880,496,457 and 4,924,849,600 shares authorized at December 31, 2019 and 2020, respectively; 63,567,099 and 69,361,883 shares issued and outstanding at December 31, 2019 and 2020, respectively		635	693
Class B Ordinary Shares, US\$ 0.00001 par value; 75,150,400 and 71,355,616 shares authorized, issued and outstanding at December 31, 2019 and 2020, respectively		752	714
Additional paid-in capital		105,944,278	108,369,688
Accumulated other comprehensive (loss) income		(2,264,635)	4,037,628
Accumulated deficit		(19,556,137)	(32,855,049)
<b>Total ECMOHO Limited shareholders' equity</b>		<b>84,124,893</b>	<b>79,553,674</b>
Non-controlling interests		565,555	—
<b>Total shareholders' equity</b>		<b>84,690,448</b>	<b>79,553,674</b>
<b>Total liabilities and shareholders' equity</b>		<b>178,460,376</b>	<b>142,627,909</b>

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

**ECMOHO LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020**

	Note	Year Ended December 31,		
		2018	2019	2020
		US\$	US\$	US\$
<b>Net revenues:</b>				
Products sales		176,097,737	302,098,523	300,155,525
Services		22,917,299	27,381,393	4,783,240
<b>Total net revenues</b>	22	<u>199,015,036</u>	<u>329,479,916</u>	<u>304,938,765</u>
<b>Total cost of revenue</b>		<u>(140,153,462)</u>	<u>(257,431,074)</u>	<u>(246,299,626)</u>
<b>Gross profit</b>		<u>58,861,574</u>	<u>72,048,842</u>	<u>58,639,139</u>
<b>Operating expenses:</b>				
Fulfillment expenses		(13,096,731)	(16,956,520)	(14,398,579)
Sales and marketing expenses	2(w)	(27,461,813)	(40,205,943)	(45,753,811)
General and administrative expenses		(9,068,864)	(8,496,574)	(11,036,905)
Research and development expenses		(1,669,323)	(1,808,422)	(1,105,535)
Other operating income		—	34,761	—
<b>Total operating expenses</b>		<u>(51,296,731)</u>	<u>(67,432,698)</u>	<u>(72,294,830)</u>
<b>Operating income/(loss)</b>		<u>7,564,843</u>	<u>4,616,144</u>	<u>(13,655,691)</u>
Finance expense, net	23	(925,543)	(2,513,847)	(2,615,282)
Foreign exchange (loss)/gain, net		(306,730)	(392,955)	979,103
Other income, net	2(ac)	234,421	475,195	1,800,214
<b>Income/(loss) before income tax expenses</b>		<u>6,566,991</u>	<u>2,184,537</u>	<u>(13,491,656)</u>
Income tax (expenses)/benefits	26	(417,124)	(249,639)	6,504
<b>Net Income/(loss)</b>		<u>6,149,867</u>	<u>1,934,898</u>	<u>(13,485,152)</u>
Less: Net income/(loss) attributable to the non-controlling interest shareholders and redeemable non-controlling interest shareholders		25,877	(361,657)	(186,240)
<b>Net income/(loss) attributable to ECMOHO Limited</b>		<u>6,123,990</u>	<u>2,296,555</u>	<u>(13,298,912)</u>
Less: Accretion on Round A convertible redeemable preferred shares to redemption value		(1,018,493)	—	—
Less: Accretion on Round B convertible redeemable preferred shares to redemption value		(1,574,737)	—	—
Less: Accretion on Series A convertible redeemable preferred shares to redemption value		(445,177)	(1,022,461)	—
Less: Accretion to redemption value of redeemable non-controlling interests		(129,896)	(311,757)	—
Less: Extinguishment of convertible redeemable preferred shares	19	(24,763,245)	—	—
<b>Net (loss)/income attributable to ECMOHO Limited's ordinary shareholders</b>		<u>(21,807,558)</u>	<u>962,337</u>	<u>(13,298,912)</u>
Net income/(loss)		<u>6,149,867</u>	<u>1,934,898</u>	<u>(13,485,152)</u>
Other comprehensive (loss)/income				
Foreign currency translation adjustment, net of nil tax		(681,407)	(887,407)	6,360,165
Less: Comprehensive income/(loss) attributable to noncontrolling interests		14,543	(404,798)	(128,338)
<b>Comprehensive income/(loss) attributable to ECMOHO Limited</b>		<u>5,453,917</u>	<u>1,452,289</u>	<u>(6,996,649)</u>
<b>Net (loss)/earnings per share attributable to ECMOHO Limited's ordinary shareholders</b>				
—basic		<u>(0.26)</u>	<u>0.01</u>	<u>(0.10)</u>
—diluted		<u>(0.26)</u>	<u>0.01</u>	<u>(0.10)</u>
<b>Weighted average number of Ordinary Shares</b>				
—basic		<u>84,970,000</u>	<u>98,104,216</u>	<u>139,619,496</u>
—diluted		<u>84,970,000</u>	<u>115,644,864</u>	<u>139,619,496</u>

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



**ECMOHO LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020**

	Class A Ordinary Shares		Class B Ordinary Shares		Treasury stock		Additional Paid-in Capital US\$	Subscription receivable US\$	Accumulated other comprehensive (loss)/income US\$	Accumulated deficit US\$	Non- Controlling interests US\$	Total Shareholders' (Deficit)/Equity US\$
	Number of Shares	Amount US\$	Number of Shares	Amount US\$	Number of Shares	Amount US\$						
Balances at December 31, 2017	6,012,000	60	75,150,400	752	—	—	—	—	(750,296)	(19,896,740)	288,503	(20,357,721)
Issuance of treasury stock (Note 21)	—	—	—	—	2,846,600	—	—	—	—	—	—	—
Share-based compensation expense (Note 24)	—	—	—	—	—	—	356,549	—	—	—	—	356,549
Capital contribution from non-controlling interests shareholders	—	—	—	—	—	—	—	—	—	—	104,159	104,159
Accretion to redemption value of redeemable convertible preferred stock (Note 19)	—	—	—	—	—	—	(356,549)	—	—	(2,681,858)	—	(3,038,407)
Accretion to redemption value of redeemable non-controlling interests and income attribution (Note 20)	—	—	—	—	—	—	—	—	—	(129,896)	(96,301)	(226,197)
Convertible redeemable preferred shares exchanged to Class A Ordinary Shares (Note 19)	9,519,000	95	—	—	—	—	19,495,057	—	—	—	—	19,495,152
Subscription receivables due from shareholders of ECMOHO Shanghai for Reorganization purpose (Note 1(b))	—	—	—	—	—	—	—	(9,261,300)	—	—	—	(9,261,300)
Extinguishment of Round A and Round B convertible redeemable preferred shares (Note 19)	—	—	—	—	—	—	(19,495,057)	—	—	(5,268,188)	—	(24,763,245)
Foreign currency translation	—	—	—	—	—	—	—	—	(670,073)	—	(11,334)	(681,407)
Net income	—	—	—	—	—	—	—	—	—	6,123,990	25,877	6,149,867
Balances at December 31, 2018	15,531,000	155	75,150,400	752	2,846,600	—	—	(9,261,300)	(1,420,369)	(21,852,692)	310,904	(32,222,550)
Cancellation of treasury stock (Note 21)	—	—	—	—	(2,846,600)	—	—	—	—	—	—	—
Share-based compensation expense (Note 24)	—	—	—	—	—	—	1,575,029	—	—	—	—	1,575,029
Sale of equity interests in a subsidiary to non-controlling interests	—	—	—	—	—	—	2,757	—	—	—	592,725	595,482
Capital contribution from non-controlling interests shareholders	—	—	—	—	—	—	—	—	—	—	29,196	29,196
Accretion to redemption value of redeemable convertible preferred stock (Note 19)	—	—	—	—	—	—	(1,022,461)	—	—	—	—	(1,022,461)
Accretion to redemption value of redeemable non-controlling interests and income attribution (Note 20)	—	—	—	—	—	—	(311,757)	—	—	—	27,068	(284,689)
Acquisition of non-controlling interests (Note 20)	—	—	—	—	—	—	(180,784)	—	—	—	10,460	(170,324)
Acquisition of redeemable non-controlling interests (Note 20)	—	—	—	—	—	—	1,296,171	—	—	—	—	1,296,171
Conversion of preferred shares to Class A ordinary shares (Note 19)	29,336,099	293	—	—	—	—	69,564,896	—	—	—	—	69,565,189
Subscription fees received from the Founders of ECMOHO Shanghai for Reorganization purpose (Note 1(b))	—	—	—	—	—	—	—	9,261,300	—	—	—	9,261,300
Issuance of ordinary shares upon Initial Public Offering ("IPO") and over-allotment option, net of cost of issuance (Note 21)	18,700,000	187	—	—	—	—	35,020,427	—	—	—	—	35,020,614
Foreign currency translation	—	—	—	—	—	—	—	—	(844,266)	—	(43,141)	(887,407)
Net income	—	—	—	—	—	—	—	—	—	2,296,555	(361,657)	1,934,898
Balances at December 31, 2019	63,567,099	635	75,150,400	752	—	—	105,944,278	—	(2,264,635)	(19,556,137)	565,555	84,690,448
Share-based compensation expense (Note 24)	—	—	—	—	—	—	474,559	—	—	—	—	474,559
Sale of equity interests in subsidiaries (Note 3)	—	—	—	—	—	—	1,950,871	—	—	—	(437,217)	1,513,654
Conversion of Class B Ordinary shares into Class A Ordinary Shares (Note 21)	3,794,784	38	(3,794,784)	(38)	—	—	—	—	—	—	—	—
Issuance of restricted shares units	2,000,000	20	—	—	—	—	(20)	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	—	—	—	6,302,263	—	57,902	6,360,165
Net loss	—	—	—	—	—	—	—	—	—	(13,298,912)	(186,240)	(13,485,152)
Balances at December 31, 2020	69,361,883	693	71,355,616	714	—	—	108,369,688	—	4,037,628	(32,855,049)	—	79,553,674

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

**ECMOHO LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020**

	Year Ended December 31,		
	2018	2019	2020
	US\$	US\$	US\$
<b>Cash flows from operating activities:</b>			
Net income (loss)	6,149,867	1,934,898	(13,485,152)
Adjustments to reconcile net income/(loss) to net cash (used in) provided by operating activities:			
Depreciation and amortization expense	605,578	996,715	828,546
Provision/(Reversal) for allowance of doubtful accounts	61,959	93,737	(39,210)
Inventory provision	639,679	1,194,496	548,109
Deferred tax (expenses)/benefit	(1,086,380)	192,741	(6,582)
Share-based compensation	356,549	1,575,029	474,559
Amortization of right-of-use asset and interest of lease liabilities	—	1,636,237	1,511,607
Changes in operating assets and liabilities			
Accounts receivable	(23,245,962)	(17,164,688)	9,978,211
Inventories	(37,639,680)	2,497,477	15,161,760
Prepayments and other current assets	(7,701,073)	(11,008,829)	13,055,163
Other non-current assets	347,501	(374,253)	49,917
Accounts payable	12,364,048	3,648,039	(2,429,356)
Amount due to related parties	561,907	488,186	(746,904)
Advance from customers	2,341,006	(1,911,843)	(335,822)
Tax payables	1,207,501	177,502	401,915
Salary and welfare payables	952,748	(1,058,214)	153,700
Operating lease liabilities	—	(1,494,644)	(1,851,577)
Accrued liabilities and other current liabilities	3,471,502	4,498,900	(1,668,167)
Other non-current liabilities	(142,266)	(110,431)	—
Net cash (used in)/provided by operating activities	(40,755,516)	(14,188,945)	21,600,717
<b>Cash flows from investing activities:</b>			
Payments for acquisition of business license	(122,854)	—	—
Cash held at disposal entities	—	—	(559,590)
Proceeds from sale of equity interests in subsidiaries	—	—	710,392
Loss from sale of equity interests in subsidiaries	—	—	(40,019)
Purchases of property and equipment	(1,423,064)	(557,627)	(119,092)
Proceeds from disposal of property and equipment	—	—	55,454
Payments for software procurement	(201,866)	(255,380)	(141,393)
Proceeds from disposal of intangible assets	—	—	409
Loan to long-term investments investee	—	—	(646,000)
Purchase of long-term investments	—	—	(5,904,000)
Net cash used in investing activities	(1,747,784)	(813,007)	(6,643,839)
<b>Cash flows from financing activities:</b>			
Cash payments for acquisition of equity interests of ECMOHO Shanghai for Reorganization purpose (Note 1(b))	(14,475,846)	(4,261,580)	—
Subscription fees received from the Founders of ECMOHO Shanghai for Reorganization purpose (Note 1(b))	6,000,376	9,261,300	—
Subscription fees received from the Round A and Round B Investors of ECMOHO Shanghai for Reorganization purpose (Note 1(b))	—	—	—
Cash receipts from issuance of Series A Convertible Redeemable Preferred Shares, net of issuance costs (Note 19)	3,386,528	89,222	—
Proceeds from short-term borrowings	22,429,967	—	—
Repayments of short-term borrowings	41,529,327	50,434,437	105,033,389
Repayments of short-term borrowings	(23,469,501)	(37,295,468)	(122,724,334)
Cash received from maturity of loan deposits (Note 9)	—	861,268	430,034
Cash payment for loan deposits (Note 9)	(437,114)	(854,188)	—
Contribution from non-controlling interests shareholders	104,159	29,196	—
Payment for acquisition of non-controlling interests	—	(170,324)	—
Payment for acquisition of redeemable non-controlling interests (Note 20)	—	(2,215,392)	(3,120,583)
Proceeds from issuance of ordinary shares upon Initial Public Offering and over-allotment option, net of payment of cost of issuance (Payment of Initial Public Offering costs)	(522,072)	35,020,614	—
Capital injection from non-controlling interests shareholders	—	595,482	—
Proceeds (repayment) of borrowings from related parties	3,000,000	4,000,000	(600,000)
Proceeds of advances from related parties	8,964,847	9,436,151	3,409,587
Repayment of advances to related parties	(2,474,371)	(10,593,662)	(5,214,261)
Net cash provided by/(used in) financing activities	44,036,300	54,337,056	(22,786,168)
Effect of exchange rate change on cash, cash equivalents and restricted cash	742,397	(1,201,068)	2,014,703
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>2,275,397</b>	<b>38,134,036</b>	<b>(5,814,587)</b>
Cash, cash equivalents and restricted cash at beginning of year	10,689,462	12,964,859	51,098,895
Cash, cash equivalents and restricted cash at end of year	12,964,859	15,098,895	45,284,308
<b>Supplemental disclosure of cash flow information:</b>			
Interest paid	(445,689)	(2,531,209)	(2,422,116)
Income tax paid	—	—	—
<b>Non-cash financing and investing activities</b>			
Accretion to redemption value of convertible redeemable preferred shares	3,038,407	1,022,461	—
Accretion to redemption value of redeemable non-controlling interests	129,896	311,757	—
Extinguishment of convertible redeemable preferred shares (Note 19)	24,763,245	—	—
Capital contribution from non-controlling interests shareholders (Note 16)	107,129	—	—
Subscription receivables due from Founders of ECMOHO Shanghai for Reorganization purpose (Note 27)	9,261,300	—	—
Subscription receivables due from Round B Investor of ECMOHO Shanghai for Reorganization purpose (Note 27)	89,222	—	—
Payables due to shareholders of ECMOHO Shanghai for Reorganization purpose (Note 27)	(4,261,580)	—	—
Payables for the acquisition of redeemable non-controlling interests (Note 20)	—	(3,120,583)	—
Operating lease right-of-use assets obtained in exchange for operating lease liabilities (Note 11)	—	—	2,756,170
Sale consideration from sale of equity interests in a subsidiary offset with amounts due to related parties (Note 3)	—	—	652,401
Recognition of other receivables from former subsidiaries offset with amounts due to related parties (Note 3)	—	—	2,295,358
Gain from sale of equity interests in subsidiaries to related parties recognized to additional paid-in capital (Note 3)	—	—	1,950,871

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

**ECMOHO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization and Principal Activities**

*(a) Principal activities*

Ecmoho Limited (the “Company”), an exempted company with limited liability incorporated in the Cayman Islands, together with (i) its various equity-owned consolidated subsidiaries, (ii) its controlled affiliate Shanghai Yibo Medical Device Co., Ltd (“Yibo or Yibo VIE”) and Yang Infinity (Shanghai) Biotechnology Co., Limited (“Yang or Yang VIE”) and Yang VIE’s subsidiary are collectively referred to as the “Group”. The Company serves as an investment holding company with no operations of its own. The Group is primarily engaged in e-commerce business and sells products to consumers and retailers. The Group also provides services including online store operating services, promotion and marketing services to its brand partners and other brand customers.

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As of December 31, 2020, the Company's principal subsidiaries and VIEs are as follows:

Name of subsidiaries and VIEs	Date of establishment/acquisition	Place of incorporation	Percentage of direct or indirect ownership	Principle activities
<b>Subsidiaries of the Company:</b>				
ECMOHO (Hong Kong) Health Technology Limited ("ECMOHO HK")	Established on June 27, 2018	Hong Kong	100.00%	Investment holding
Shanghai ECMOHO Health Biotechnology Co. Limited ("ECMOHO Shanghai")	Established on December 23, 2011	PRC	100.00%	Product sales and services
Jianyikang Health Technology (Shanghai) Co., Limited	Established on May 21, 2018	PRC	100.00%	Product sales
Ecmoho (Hong Kong) Limited Import It Corp.	Established on April 1, 2015	Hong Kong	100.00%	Product sales and services
	Established on September 4, 2012	BVI	100.00%	Product sales and services
Shanghai Tonggou Information Technology Co., Limited	Established on May 20, 2013	PRC	100.00%	Product sales and services
Yijiasancan (Shanghai) E-commerce Co., Ltd.	Established on August 21, 2013	PRC	100.00%	Product sales and services
Shanghai Hengshoutang Health Technology Co., Limited	Established on April 11, 2016 and divested in October 2020	PRC	70.00%	Product sales
Qinghai Hengshoutang Plateau Medicine Co., Limited	Acquired on March 21, 2017 and divested in October 2020	PRC	70.00%	Product sales
Shanghai Jiेशi Technology Co., Limited	Acquired on December 16, 2016 and disposed in July 2020	PRC	100.00%	Product sales
Shanghai ECMOHO Health Technology Co., Limited	Established on May 5, 2015	PRC	100.00%	Product sales
Hangzhou Duoduo Supply Chain Management Co., Limited	Acquired on April 25, 2017	PRC	100.00%	Bonded area warehousing
ECMOHO Co., Ltd. (Korea)	Established on August 27, 2018	Korea	100.00%	Product sales
Yi Ling (Shanghai) Information Technology Co., Limited	Established on August 30, 2018	PRC	100.00%	Intercompany services
Xianggui (Shanghai) Biotechnology Co., Ltd.	Established on September 28, 2018 and divested in April 2020	PRC	60.00%	Product sales and services
Shanghai Juyi Information Technology Co., Ltd.	Established on October 15, 2018	PRC	100.00%	Product sales and services
Yipinda (Shanghai) Health Technology Co., Ltd.	Established on February 27, 2019	PRC	100.00%	Product sales
ECMOHO Co., Ltd. (Japan)	Established on July 15, 2016	Japan	100.00%	Inactive
Ecmoho USA Ltd.	Established on October 26, 2017	USA	100.00%	Inactive
Shanghai Yiheng Yimei Biotechnology Co., Ltd. (Yimei Biotech)	Established on September 22, 2020	PRC	51.00%	Startup
Shanghai Kailing Health Technology Co., Ltd. (Kailing)	Established on March 5, 2020	PRC	51.00%	Product sales
Shanghai Ranyao Digital Media Technology Co., Ltd. (Ranyao)	Established on September 30, 2020	PRC	51.00%	Startup
Guangzhou ECMOHO Health Technology Co., Limited (Guangzhou Yiheng)	Established on August 14, 2020	PRC	51.00%	Startup
Shanghai Hengcang Supply Chain Management Co., Ltd.	Established on August 1, 2018	PRC	100.00%	Warehousing Service

**ECMOHO LIMITED**  
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Zhengzhou ECMOHO Health Technology Co., Ltd.	Established on July 6, 2015	PRC	100.00%	Inactive
ECMOHO (Hong Kong) Development Limited (“ECMOHO Development”)	Established on December 28, 2020	Hong Kong	100.00%	Startup
ECMOHO (Hong Kong) Information Management Limited (“ECMOHO Information Management”)	Established on December 28, 2020	Hong Kong	100.00%	Startup
<b>Variable Interest Entity (“VIE”):</b>				
Shanghai Yibo Medical Device Co., Ltd (“Yibo or Yibo VIE”)*	Established on April 21, 2017	PRC	100.00%	Operates the Company’s own online e-commerce platform
Yang Infinity (Shanghai) Biotechnology Co., Limited (“Yang or Yang VIE”)	Established on November 15, 2018 and divested in April 2020	PRC	60.00%	Product sales
<b>Subsidiary of Variable Interest Entity (“VIE subsidiary”):</b>				
Yinchuan Xianggui Internet Hospital Co., Ltd	Established on May 17, 2019 and divested in April 2020	PRC	60.00%	Product sales

**(b) Reorganization**

The Group commenced its operations in December 2011 through ECMOHO Shanghai, a People’s Republic of China (“the PRC”) company established by Ms. Zoe Wang and Mr. Leo Zeng, who are in spousal relationship (collectively known as “the Founders”).

In 2015 and 2016, ECMOHO Shanghai offered 19% and 12% of its equity interests with preferential rights to Round A and Round B Investors with the consideration of US\$ 13,081,880 and US\$ 24,000,000, respectively (Note 19).

In April 2018, one of the Round A Investors (“Exit Investor”) sold all its 8.36% equity interest with preferential rights to the Founders for cash (Note 19).

To facilitate offshore financing, an offshore corporate structure was formed in August 2018 (the “Reorganization”), which was carried out as follows:

- 1) In June 2018, the Company was incorporated in the Cayman Islands by the Founders.
- 2) In June 2018, ECMOHO HK was incorporated in Hong Kong with 100% ownership by the Company.
- 3) In July 2018, ECMOHO HK legally acquired 97.5% of the equity interest of ECMOHO Shanghai from the Founders and most of the Investors, except for 2.5% equity interests held by certain of the Investors (“NCI holders”), with the cash consideration of US\$ 18,737,426. Such consideration shall be used by these Founders and Investors to subscribe ordinary shares and preferred shares of the Company to exchange its equity interests of ECMOHO Shanghai for Reorganization purpose. As of December 31, 2018, consideration of US\$14,475,846 has been paid, and consideration of US\$ 4,261,580 remained outstanding and was presented as amounts due to related parties on the consolidated balance sheets. The remaining consideration of US\$ 4,261,580 was fully paid in 2019.
- 4) In August 2018, the Founders subscribed 9,519,000 Class A Ordinary Shares and 75,150,400 Class B Ordinary Shares of the Company with the cash consideration of US\$ 15,261,676 (part of the above mentioned cash consideration of US\$ 18,737,426), in the same proportions as the percentage of equity interest they held in ECMOHO Shanghai before the Reorganization. As of December 31, 2018, consideration of US\$ 6,000,376 has been received, and consideration of US\$ 9,261,300 remained outstanding and was presented as subscriptions receivable, a contra-equity balance on the consolidated balance sheets. The remaining consideration of US\$ 9,261,300 was fully received in 2019.

The 9,519,000 Class A Ordinary Shares were in connection with the 8.36% equity interests the Founder purchased from the Exit Investor. The Founders gave up the preferential rights associated with the equity interests simultaneously with the issuance of such Class A Ordinary Shares (Note 19). In August 2018, the Founders sold 8,880,894 out of the 9,519,000 Class A Ordinary Shares to third party investors (Note 21).

- 5) In September 2018, the Round A and Round B Investors, except for the NCI holders, subscribed for 9,519,000 Class A-1 and 10,817,000 Class A-2 Ordinary Shares with preferential rights of the Company with the total cash consideration of US\$ 3,475,750 (the remaining part of the above mentioned cash consideration of US\$ 18,737,426), all in the same proportions, on an as converted basis, as the percentage of equity interest they held in ECMOHO Shanghai before the Reorganization. As of December 31, 2018, consideration of US\$ 3,386,528 has been received, and consideration of US\$ 89,222 remained outstanding and was presented as subscriptions receivable, a contra mezzanine equity balance on the consolidated balance sheets. The remaining consideration of US\$ 89,222 was fully received in 2019 (Note 19).

The Reorganization was a recapitalization with no substantial changes in the shareholding of the Company. Therefore, it was accounted for using historical costs with assets and liabilities reflected at carryover basis. Accordingly, the accompanying consolidated financial statements have been prepared as if the current corporate structure had been in existence throughout the periods.

**(c) VIE arrangements**

To comply with the relevant PRC laws and regulations, the Company operates its internet-based business in which foreign investment is restricted or prohibited through its Yibo VIE. To provide the Company the control of the Yibo VIE, ECMOHO Shanghai entered into a series of contractual arrangements with the Yibo VIE or its equity holders as follows:

*Exclusive Technology Consulting and Service Agreement*

Under the exclusive technology consulting and service agreement between ECMOHO Shanghai and Yibo VIE, ECMOHO Shanghai has the exclusive right to provide to Yibo VIE consulting and services related to, among other things, research and development, system operation, advertising, internal training and technical support. ECMOHO Shanghai has the exclusive ownership of intellectual property rights created as a result of the performance of this agreement. In exchange, Yibo VIE agrees to pay ECMOHO Shanghai an annual service fee, at an amount that is agreed by ECMOHO Shanghai. Unless ECMOHO Shanghai provides valid notice of termination 90 days prior to the term of agreement ending, this agreement will remain effective for 10-years to be automatically renewed for another 10 years thereafter.

*Powers of Attorney*

The shareholders of Yibo VIE, have each executed a power of attorney to irrevocably appoint ECMOHO Shanghai or its designated person as their attorney-in-fact to exercise all of their rights as shareholders of Yibo VIE, including, but not limited to, the right to convene and attend shareholder meetings, vote on any resolution that requires a shareholder vote, such as the appointment or removal of directors and executive officers, and other voting rights pursuant to the then-effective articles of association of Yibo VIE. The power of attorney will remain in force for so long as the controlling shareholders remain the shareholders of Yibo VIE.

*Equity Pledge Agreement*

Pursuant to the equity pledge agreement among ECMOHO Shanghai, Yibo VIE, and the shareholders of Yibo VIE, the shareholders pledged all of their equity interests in Yibo VIE to guarantee their and Yibo VIE's performance of their obligations under the contractual arrangements including the exclusive technology consulting and service agreement, the exclusive option agreement and the power of attorney. In the event of a breach by Yibo VIE or its shareholders of contractual obligations under these agreements, ECMOHO Shanghai, as pledgee, will have the right to dispose of the pledged equity interests in Yibo VIE. The shareholders of Yibo VIE also undertake that, during the term of the equity pledge agreement, they will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests. During the term of the equity pledge agreement, ECMOHO Shanghai has the right to receive all of the dividends and profits distributed on the pledged equity interests. As of the date of this prospectus, the equity pledge for the Company's variable interest equity has been registered with local PRC authorities.

*Spousal Consent Letters*

Pursuant to the spousal consent letter, each of the respective spouse of the shareholders of Yibo VIE, unconditionally and irrevocably agreed that the equity interest in Yibo VIE held by and registered in the name of his/her spouse will be disposed of pursuant to the equity pledge agreement, the exclusive call option agreement and the power of attorney. The spouse agreed not to assert any rights over the equity interest in Yibo VIE held by his/her spouse. In addition, in the event that the spouse obtains any equity interest in Yibo VIE held by his/her spouse for any reason, the spouse agreed to be bound by the contractual arrangements.

*Exclusive Call Option Agreement*

Pursuant to the exclusive call option agreement between ECMOHO Shanghai, Yibo VIE and its shareholders, the shareholders of Yibo VIE irrevocably grant ECMOHO Shanghai an exclusive option to purchase, at its discretion, or have its designated person to purchase, to the extent permitted under PRC law, all or part of the equity interests in Yibo VIE. The purchase price shall be the lowest price permitted by applicable PRC law. In addition, Yibo VIE has granted ECMOHO Shanghai an exclusive option to purchase, at its discretion, or have its designated person to purchase, to the extent permitted under PRC law, all or part of Yibo VIE's assets at the book value of such assets, or at the lowest price permitted by applicable PRC law, whichever is higher. The shareholders of Yibo VIE undertake that, without the Company's prior written consent or the prior written consent of ECMOHO Shanghai, they may not increase or decrease the registered capital, dispose of its assets, incur any debt or guarantee liabilities, enter into any material purchase agreements, conduct any merger, acquisition or investments, amend its articles of association or provide any loans to third parties. The exclusive call option agreement will remain effective until all equity interest in Yibo VIE held by its shareholders and all assets of Yibo VIE are transferred or assigned to ECMOHO Shanghai or its designated representatives.

Yibo VIE, under Generally Accepted Accounting Principles in the United States ("US GAAP"), is considered to be a consolidated VIE in which the Company, or its subsidiaries, through contractual arrangements, bears the risks of, and enjoys the rewards normally associated with, ownership of the entity, and therefore the Company or one of its subsidiaries is the primary beneficiary of the entity. Through the aforementioned contractual agreements, the Company has the ability to:

- exercise control over Yibo VIE whereby having the power to direct Yibo VIE's activities that most significantly drive the economic results of Yibo VIE;
- receive substantially all of the economic benefits and residual returns, and absorb substantially all the risks and expected losses from the Yibo VIE as if it was their sole shareholder; and
- have an exclusive option to purchase all of the equity interests in Yibo VIE.

In June 2019, Yang VIE entered into the VIE Agreements, including Exclusive Technology Support and Consulting Services Agreement, Powers of Attorney, Equity Pledge Agreement, Spousal Consent Letters and Exclusive Call Option Agreement which contain terms substantially similar to those entered into between Yibo VIE and ECMOHO Shanghai in 2018. Yang VIE was disposed in April 2020. See Note 3 - Divestment of subsidiaries and deconsolidation of VIEs for more details.

Management therefore concluded that the Company, through the above contractual arrangements, has the power to direct the activities that most significantly impact the VIEs' economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the VIEs, and therefore the Company is the ultimate primary beneficiary of the VIEs. Consequently, the financial results of the VIEs were included in the Group's consolidated financial statements.

ECMOHO LIMITED  
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The following table sets forth the assets, liabilities, results of operations and cash flows of VIEs and its subsidiary, which are included in the Group's consolidated financial statements. Transactions between the VIEs and VIE subsidiary are eliminated in the balances presented below:

	As of December 31,	
	2019 US\$	2020 US\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	61,456	5,511
Amount due from subsidiaries of the Company	720,588	-
Inventories	6,608	-
Prepayments and other current assets	-	11,238
<b>Total current assets</b>	<b>788,652</b>	<b>16,749</b>
<b>Total assets</b>	<b>788,652</b>	<b>16,749</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Salary and welfare payables	21,695	4,604
Accounts payable	26,485	-
Advance from customers	1,816	-
Tax payables	1,010	250
Amount due to subsidiaries of the Company	105,342	-
Accrued liabilities and other current liabilities	7,238	122,915
<b>Total current liabilities</b>	<b>163,586</b>	<b>127,769</b>
<b>Total liabilities</b>	<b>163,586</b>	<b>127,769</b>

	Year Ended December 31,		
	2018 US\$	2019 US\$	2020 US\$
Net revenues	21,384	29,122	66,612
Net losses	(430,519)	(544,953)	(161,892)
	Year Ended December 31,		
	2018 US\$	2019 US\$	2020 US\$
Net cash provided by/(used in) operating activities	11,092	(434,616)	763
Net cash provided by/(used in) financing activities	-	484,980	(25,636)
Net increase/(decrease) in cash and cash equivalents	11,092	50,364	(24,873)

In accordance with the aforementioned VIE agreements, the Company has power to direct activities of the VIEs, and can have assets transferred out of VIEs. Therefore, the Company considers that there is no asset in VIEs that can be used only to settle obligations of the VIEs, except for registered capital, as of December 31, 2019 and 2020. As the VIEs and their subsidiaries were incorporated as limited liability Company under the PRC Company Law, the creditors do not have recourse to the general credit of the Company for all the liabilities of the VIEs.

There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs. As the Group is conducting certain businesses in the PRC through the VIEs, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss.

There is no VIE where the Company has variable interest but is not the primary beneficiary.

The Group believes that the contractual arrangements among its shareholders and ECMOHO Shanghai comply with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements and if the shareholders of the VIEs 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.



The Company's ability to control the VIEs also depends on the voting rights proxy and the effect of the share pledge under the Equity Pledge Agreement and ECMOHO Shanghai has to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Company believes this voting right proxy is legally enforceable but may not be as effective as direct equity ownership.

**(d) Divestitures**

Yang Infinity (Shanghai) Biotechnology Co., Limited and Xianggui (Shanghai) Biotechnology Co., Ltd.

On April 27, 2020, Zoe Wang, the Group's Chairman and Chief Executive Officer, and Leo Zeng, the Group's Chief Operating Officer, (collectively "Sellers") entered into a Share Transfer Agreement (the "Equity Transfer Agreement") with Shanghai Xianggui Health Management Co. Ltd. ("Xianggui Health Management"), a related party. Pursuant to the Equity Transfer Agreement, the Sellers shall sell 100% equity interests in Yang VIE, which is a VIE of Xianggui (Shanghai) Biotechnology Co., Ltd.

On April 27, 2020, Yi Ling (Shanghai) Information Technology Co., Limited ("Yi Ling"), the Group's wholly owned subsidiary, entered into a Share Transfer Agreement (the "Equity Transfer Agreement") with Xianggui Health Management, a related party. Pursuant to the Equity Transfer Agreement, Yi Ling shall sell all of its 60% equity interests in Xianggui (Shanghai) Biotechnology Co., Ltd. ("Xianggui"), the Group's 60% owned subsidiary, to Xianggui Health Management in exchange for RMB3,400,000 (approximately US\$ 521,000). The Group's decision to dispose of Yang VIE and Xianggui is to restructure its operating entities to improve its operating results within the e-commerce health and wellness industry. See Note 3 - Divestment of subsidiaries and deconsolidation of VIEs for more details.

Shanghai Jieshi Technology Co., Limited

On July 9, 2020, Yijiasancan (Shanghai) E commerce Co., Ltd. ("Yijiasancan"), the Group's wholly owned subsidiary, entered into a Share Transfer Agreement (the "Equity Transfer Agreement") with Shanghai Xianggui Health Technology Co. Ltd. ("Xianggui Health Technology"), a related party. Pursuant to the Equity Transfer Agreement, Yijiasancan shall sell 100% equity interests in Shanghai Jieshi Technology Co., Limited ("Shanghai Jieshi"), the Group's wholly owned subsidiary, to Xianggui Health Technology in exchange for RMB1,000,000 (approximately USD\$ 153,000). The Group's decision to dispose of Shanghai Jieshi is to restructure its operating entities to improve its operating results within the e-commerce health and wellness industry. See Note 3 - Divestment of subsidiaries and deconsolidation of VIEs for more details.

Shanghai Hengshoutang Health Technology Co., Limited

On October 28, 2020, Yijiasancan, the Group's wholly owned subsidiary, entered into a Share Transfer Agreement (the "Equity Transfer Agreement") with Xianggui Health Technology, a related party. Pursuant to the Equity Transfer Agreement, Yijiasancan shall sell 70% equity interests in Shanghai Hengshoutang Health Technology Co., Limited ("Shanghai Hengshoutang"), the Group's wholly owned subsidiary, to Xianggui Health Technology in exchange for RMB5,000,000 (approximately US\$ 766,000). The Group's decision to dispose of Shanghai Hengshoutang is to restructure its operating entities to improve its operating results within the e-commerce health and wellness industry. See Note 3 - Divestment of subsidiaries and deconsolidation of VIEs for more details.

**2. Principal Accounting Policies**

**(a) Basis of preparation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") pursuant to the rules and regulations of the Securities Exchange Commission ("SEC").

The Reorganization was a recapitalization with no substantial changes in the shareholding of the Company. Accordingly, the accompanying consolidated financial statements have been prepared as if the current corporate structure had been in existence throughout the periods.

Significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized below.

**(b) Basis of consolidation**

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

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting powers; or has the power to appoint or remove the majority of the members of the board of directors; or to cast a majority of votes at the meeting of directors; or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders. Non-controlling interest represents the portion of the net assets of subsidiaries attributable to interests that are not owned or controlled by the Group. The non-controlling interest is presented in the consolidated balance sheets, separately from equity attributable to the shareholders of the Group. Non-controlling interest's operating results are presented on the face of the consolidated statements of operations and comprehensive income (loss) as an allocation of the total income (loss) for the year between non-controlling shareholders and the shareholders of the Group.

A VIE is an entity in which the Company, through contractual agreements, has the power to direct activities of, bears the risks of, and enjoys the rewards normally associated with ownership of the entity. In determining whether the Company or its subsidiaries are the primary beneficiary, the Company considered whether it has the power to direct activities that are significant to the VIE's economic performance, and also the Group's obligation to absorb losses of the VIEs that could potentially be significant to the VIEs or the right to receive benefits from the VIEs that could potentially be significant to the VIEs. ECMOHO Shanghai and ultimately the Company hold all the variable interests of the VIEs, and has been determined to be the primary beneficiary of the VIEs.

**(c) Use of estimates**

The preparation of the Group's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The Company believes that revenue recognition, sales return, sales incentive, inventory write-down, rebates, realization of deferred tax assets, assessment for useful life and impairment of long-lived assets, allowance for doubtful accounts, incremental borrowing rates used in lease liabilities calculations, impairment of long-term investment and valuation of ordinary shares and preferred shares requires significant judgments and estimates used in the preparation of its consolidated financial statements.

Management bases the estimates on historical experience and on various other assumptions as discussed elsewhere to the consolidated financial statements that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. On an ongoing basis, management evaluates its estimates based on information that is currently available. Changes in circumstances, facts and experience may cause the Company to revise its estimates. Changes in estimates are recorded in the period in which they become known. Actual results could materially differ from these estimates.

**(d) Functional Currency and Foreign Currency Translation**

The Group uses United States dollars ("US\$" or "USD") as its reporting currency. The functional currency of the Company and its subsidiaries incorporated outside of PRC is US\$, while the functional currency of the PRC entities in the Group is RMB as determined based on the criteria of ASC 830, Foreign Currency Matters.

Transactions denominated in other than the functional currencies are translated into the functional currency of the entity at the exchange rates prevailing on the transaction dates. Financial assets and liabilities denominated in other than the functional currency are translated at the balance sheet date exchange rate. The resulting exchange differences are included in the consolidated statements of operations and comprehensive income/(loss) as foreign exchange related gains.

The financial statements of the Group's entities using functional currency other than US\$ are translated from the functional currency to the reporting currency, US\$. Assets and liabilities of the Group's subsidiaries incorporated in PRC are translated into US\$ at balance sheet date exchange rates. Income and expense items are translated at average exchange rates prevailing during the fiscal year, representing the index rates stipulated by the People's Bank of China. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as accumulated other comprehensive income/(loss) on the consolidated financial statement.

The exchange rates used for translation on December 31, 2019 and 2020 were US\$1.00=RMB 6.9762 and US\$1.00=RMB 6.5249, respectively, representing the index rates stipulated by the People's Bank of China. The exchange rates used for translation for the years ended December 31, 2018, 2019 and 2020 were US\$1.00=RMB 6.6174, US\$1.00=RMB 6.8985 and US\$1.00=RMB 6.8976, respectively, representing the index rates stipulated by the People's Bank of China.

**(e) Fair value of financial instruments**

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.

The established fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of inputs that may be used to measure fair value include:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable, market-based inputs, other than quoted prices, in active markets for identical assets or liabilities.

Level 3: Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

The Group does not have any non-financial assets or liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis.

The Group's financial instruments consist principally of cash and cash equivalents, restricted cash, accounts receivable, deposits, loan deposits, accounts payable, operating lease liabilities, accrued liabilities and other current liabilities, short-term borrowings, amounts due to related parties and other liabilities.

As of December 31, 2019 and 2020, the carrying values of cash and cash equivalents, restricted cash, accounts receivable, deposits, loan receivables, loan deposits, accounts payable, operating lease liabilities, accrued liabilities and other current liabilities, short-term borrowings, amounts due to related parties and other liabilities approximated their fair values reported in the consolidated balance sheets due to the short term maturities of these instruments.

**(f) Cash, cash equivalents and restricted cash**

Cash and cash equivalents include cash in bank and time deposits placed with banks, other financial institutions and third party payment processors, which have original maturities of three months or less at the time of purchase and are readily convertible to known amounts of cash.

Restricted cash mainly represents secured deposits held in designated bank accounts for drawdown of bank loans.

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Cash, cash equivalents and restricted cash as reported in the consolidated statements of cash flows are presented separately on the consolidated balance sheet as follows:

	As of December 31,		
	2018	2019	2020
	US\$	US\$	US\$
Cash and cash equivalents	10,336,467	49,098,841	45,284,308
Restricted cash	2,628,392	2,000,054	-
<b>Total</b>	<b>12,964,859</b>	<b>51,098,895</b>	<b>45,284,308</b>

**(g) Accounts receivable, net**

Accounts receivable are presented net of allowance for doubtful accounts. The Group maintains an allowance for doubtful accounts which reflects its best estimate of amounts that potentially will not be collected. The Group determines the allowance for doubtful accounts on general basis taking into consideration various factors including but not limited to historical collection experience and credit-worthiness of the customers as well as the age of the individual receivables balance. Additionally, the Group makes specific bad debt provisions based on any specific knowledge the Group has acquired that might indicate that an account is uncollectible. The facts and circumstances of each account may require the Group to use substantial judgment in assessing its collectability.

**(h) Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. Provisions are made for excessive, slow moving, expired and obsolete inventories as well as for inventories with carrying values in excess of net realizable value. Certain factors could impact the realizable value of inventory, so the Group continually evaluates the recoverability based on assumptions about customer demand and market conditions. The evaluation may take into consideration historical usage, inventory aging, expiration date, expected demand, anticipated sales price, new product development schedules, the effect new products might have on the sale of existing products, product obsolescence, customer concentrations, and other factors. The reserve or write-down is equal to the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory reserves or write-downs may be required that could negatively impact the Group's gross margin and operating results. If actual market conditions are more favorable, the Group may have higher gross margin when products that have been previously reserved or written down are eventually sold.

**(i) Loan receivables**

Loan receivables are presented net of allowance for doubtful accounts. The Group reviews its loan receivables on a regular basis to determine if the allowance is adequate and adjusts when necessary. The Group continues to evaluate the reasonableness of the allowance policy and update it if necessary. For the years ended December 31, 2018, 2019 and 2020, there were no allowances recognized.

**(j) Property and equipment, net**

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is calculated on a straight-line basis over the following estimated useful lives, taking into account any estimated residual value. Residual rate is determined based on the economic value of the property and equipment at the end of the estimated useful lives as a percentage of the original cost.

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The estimated useful lives and residual rates are as follows:

Classification	Useful years	Residual rate
Warehouse equipment	3 years	5%
Furniture, computer and office equipment	2 - 5 years	0%-5%
Leasehold improvement	Over the shorter of the expected life of leasehold improvements or the lease term	0%

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of operations and comprehensive income/(loss).

**(k) Intangible assets, net**

Software purchased from third parties are initially recorded at cost and amortized on a straight-line basis over the shorter of the useful economic lives or stipulated period in the contract, which is usually 5 years.

Other separately identifiable intangible assets that have finite lives and continue to be amortized consist primarily of trademark and business license purchased from third parties in the years of 2018, 2019 and 2020. The Company amortizes these intangible assets on a straight-line basis over their estimated useful lives, which are 5 to 10 years.

The estimated life of amortized intangibles is reassessed if circumstances occur that indicate the life has changed.

**(l) Impairment of long-lived assets**

For long-lived assets including property and equipment, intangible assets and other non-current assets, the Group evaluates for impairment whenever events or changes (triggering events) indicate that the carrying amount of an asset may no longer be recoverable. The Group assesses the recoverability of the long-lived assets by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to receive from use of the assets and their eventual disposition. Such assets are considered to be impaired if the sum of the expected undiscounted cash flows is less than the carrying amount of the assets. The impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. For the years ended December 31, 2018, 2019 and 2020, no impairment of long-lived assets was recognized.

**(m) Long-term investment**

The Group has elected to record its long-term investment on equity security without a readily determinable fair value at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issue due to its non-marketable equity securities not qualifying for the practical expedient to estimate its fair value in accordance with ASC 820-10-35-59. No event has occurred and indicated that other-than-temporary impairment existed and therefore the Group did not record any impairment charge for its investment for the year ended December 31, 2020.

**(n) Advances from customers**

Certain third party customers pay in advance to purchase product goods. Cash proceeds received from customers are initially recorded as advances from customers and are recognized as revenues when revenue recognition criteria are met.

**(o) Deconsolidation**

The Group accounts for the deconsolidation of a subsidiary by recognizing a gain or loss in net income/loss attributable to the parent, measured as the difference between:

- a. The aggregate of all of the following:
  1. The fair value of any consideration received;
  2. The fair value of any retained noncontrolling investment in the former subsidiary at the date the subsidiary is deconsolidated;
  3. The carrying amount of any noncontrolling interest in the former subsidiary (including any accumulated other comprehensive income attributable to the noncontrolling interest) at the date the subsidiary is deconsolidated.
- b. The carrying amount of the former subsidiary's assets and liabilities.

If the deconsolidation transactions were transacted with related parties under common control, the Group should not recognize gain on sales of the subsidiaries/VIEs and losses should be recognized by the Group only when an impairment in value is indicated. The Group would recognize the net consideration as a contribution to capital as opposed to a gain.

**(p) Revenue recognition**

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09") and subsequently, the FASB issued several amendments which amends certain aspects of the guidance in ASC 2014-09 (ASU No. 2014-09 and the related amendments are collectively referred to as "ASC 606"). According to ASC 606, revenue is recognized when control of the promised good or service is transferred to the customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services.

The Group adopted ASC 606 for all periods presented. Consistent with the criteria of Topic 606, the Group follows five steps for its revenue recognition: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Group's revenues are primarily derived from (i) product sales and (ii) services including online store operating services, promotion and marketing services to its brand partners and other brand customers. Refer to Note 21 to the consolidated financial statements for disaggregation of the Group's revenue for the years ended December 31, 2018, 2019 and 2020.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. A contract asset is recorded when the Group has transferred products or services to the customer before payment is received or is due, and the Group's right to consideration is conditional on future performance or other factors in the contract. No contract asset was recorded as at December 31, 2019 and 2020.

If the Group recognizes a receivable before it transfers products to the customer, the Group will defer revenue, which is also defined as a contract liability under the new revenue guidance. A contract liability is recorded when the Group's obligation to transfer goods or services to a customer has not yet occurred but for which the Group has received consideration from the customer. The Group presents such amounts as advances from customers on the consolidated balance sheet.

**Product Sales**

The Group selects, purchases and obtains direct control of the goods from its brand partners and/or their authorized distributors and sells goods directly to end consumers through online stores it operates or to secondary distributors in accordance with distribution agreements.

Revenue is recognized when consumers or secondary distributors physically accept the products after delivery, which is when the control of products is transferred, and is recorded net of return allowances, value added tax and sales incentives, if any.

A majority of the Group's consumers make online payments through third-party payment platforms when they place orders on the Group's online stores. The funds will not be released to the Group by these third-party payment platforms until the consumers accept the products on the online platform.

Shipping and handling charges paid by customers are included in net revenues. The Group typically does not charge shipping fees on orders exceeding a certain sale amount. Shipping and handling costs incurred by the Group are considered to be fulfillment activities which are presented as part of the Group's operating expenses.

#### *Product Sales Consignment Arrangement*

The Group also enters into arrangement with online platforms, where the Group retains control over the goods until a sale is made to the end consumer. The Group considers the arrangement meet the indicators of consignment arrangement under ASC 606-10-55-80, because (i) The Group does not relinquish control of the products, even though the online platform has physical possession of the goods. The products are considered to be the Group's own inventory until they are sold to the end consumers; (ii) The Group retains the right to require the return of the goods held with the online platform; (iii) The online platforms have no obligation to pay for the products that are in its physical possession.

Revenue under consignment arrangements is recognized when a sale is made to the end customer and control is transferred to the end customer upon their acceptance in accordance with the sales report provided by the online platforms. Such revenues reflect the consideration paid by end consumers and do not take into account the sales commissions the Group pays to the relevant online platform, which are recorded as sales and marketing expenses.

#### *Services*

The Group offers its brand partners and other brand customers marketing solutions tailored to their needs and charge fixed project-based fees, including designing and operating online stores, running online promotional events, organizing online and offline marketing campaigns featuring social media influencers and circulating marketing messages to end consumers.

For services provided to customers of the Group, depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time. Control of the services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of services.

With respect to the Group's marketing services, length of the periods over which services are provided are generally within months or less, the Group recognizes such revenues when service is rendered and service report is delivered to the customer (point in time), which marks the time when control of the service output has passed to the customer.

Consideration from brand partners of the Group is considered to be in exchange for distinct service that the Group transfers to the brand partners, as i) services provided to brand partners can be sufficiently separable from the Company's procurement of products from those brand partners ii) consideration from the brand partner represents the standalone selling price of such service, and iii) the fees do not represent reimbursement of costs incurred by the Company to sell the brand partner's products. The Group accounts for the service in the same way that it accounts for sales to other customers and revenues generated from these service arrangements are recognized on a gross basis and presented as services revenue on the consolidated statements of operations and comprehensive income/(loss).

*Practical expedients and exemption*

Upon the election of the practical expedient under ASC 340-40-25-4, the incremental costs of obtaining a contract are expensed when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. For the years ended December 31, 2018, 2019 and 2020, no incremental cost was capitalized as assets.

The Group also selected to apply the practical expedients allowed under ASC Topic 606 to omit the disclosure of remaining performance obligations for contracts with an original expected duration of one year or less. For the years ended December 31, 2018, 2019 and 2020, all contracts of the Group were with an original expected duration within one year.

Based on the considerations that there is no difference between the amount of promised consideration and the cash selling price of product sales and promised services, in addition the actual length of time between when the Group transfers products or promised services to the consumers and when the consumers pays for those products or services has been within one year, the Group has assessed and concluded that there is no significant financing component in place within its products sales or service arrangements as a practical expedient in accordance with ASC 606-10-32-18.

**(q) Sales returns**

The Group offers consumers from its online shops an unconditional right of return for a period of seven days upon receipt of products and offers its secondary distributors various rights of return after the acceptance of products. Return allowances, which reduce revenue and cost of sales, are estimated by categories of return policies offered to online customers and secondary distributors, based on historical data the Group has maintained, and subject to adjustments to the extent that actual returns differ or are expected to differ. The Group records liabilities for return allowances in refund obligation of sales returns of "Accrued liabilities and other current liabilities" in the consolidated balance sheets (Note 17) and were US\$ 2,422,155 and US\$ 634,119 as of December 31, 2019 and 2020, respectively. The Group recorded assets as "Sales return assets" included in "Prepayments and other current assets" in the consolidated balance sheets (Note 9) of US\$ 1,802,499 and US\$ 463,361 as of December 31, 2019 and 2020 for its right to recover products from customers associated with settling the refund liability.

**(r) Sales incentives**

The Group provides sales rebates to certain third-party online platforms/secondary distributors based on their purchase volume, which are accounted for as variable consideration. The Group estimates these amounts based on the expected amount to be provided to the third-party online platforms/secondary distributors considering the contracted rebate rates and estimated sales volume based on significant management judgments based on historical experience such as likelihood of reaching the purchase thresholds and sales forecasts, and account for it as a reduction of the transaction price. For the years ended December 31, 2018, 2019 and 2020, sales rebates provided by the Group amounted to US\$ 2,509,679, US\$ 4,839,595 and US\$ 4,591,581, respectively.

**(s) Value added taxes**

Value added taxes ("VAT") on sales is calculated at 9% ~13% on revenue from products and 6% on revenue provided from services. The Group reports revenue net of VAT. Subsidiaries and VIEs of the Group that are VAT general tax payers are allowed to offset qualified VAT paid against their output VAT liabilities. Related surcharges, such as urban maintenance and construction tax as well as surtax for education expenses are recorded in cost of revenues.

**(t) Cost of revenue**

Cost of revenue consist of cost of product sales of US\$ 128,845,948, US\$ 242,972,621 and US\$ 242,728,053 for the years ended December 31, 2018, 2019 and 2020, respectively, and cost of services of US\$ 11,307,514, US\$ 14,458,453 and US\$ 3,571,573 for the years ended December 31, 2018, 2019 and 2020, respectively. Cost of product sales comprise the purchase price of products, purchase rebates, shipping charges to receive products from the suppliers when they are embedded in the purchase price and inventory write-downs. Cost of products does not include other direct costs related to cost of product sales such as shipping and handling expense, payroll and benefits of logistic staff, logistic centers rental expenses and depreciation expenses. Cost of service consists of the advertising and promotion costs, employee wages and benefits in connection with the Group's provision of promotion and marketing services including fees the Group paid to third party vendors for advertising and promotion on various online and offline channels.



**(u) Rebates**

The Group periodically receives consideration from certain vendors, representing rebates for products sold over a period of time. The Group accounts for the rebates received from its vendors as a reduction to the price it pays for the products purchased. Rebates are earned based on reaching minimum purchased thresholds for a specified period. When volume rebates can be reasonably estimated based on the Group's past experience, current forecasts and purchase volume, a portion of the rebate is recognized as the Group makes progress towards the purchase threshold.

**(v) Fulfillment expenses**

Fulfillment costs primarily represent warehousing, shipping and handling expenses for dispatching and delivering products to consumers, employee wages and benefits for the relevant personnel, and customs clearance expenses.

**(w) Sales and marketing expenses**

Sales and marketing expenses primarily consist of advertising costs for the products the Group offers, employee wages and benefits for sales and marketing staff, storefront fees paid to e-commerce platforms, and travel and entertainment expenses. Advertising costs consist primarily of costs for product marketing. The Group expenses all advertising costs as incurred and classifies these costs under sales and marketing expenses. For the years ended December 31, 2018, 2019 and 2020, advertising and marketing costs totaled US\$ 573,272, US\$ 560,894 and US\$ 663,871 respectively.

**(x) General and administrative expenses**

General and administrative expenses consist of employee wages and benefits for corporate employees, rental expenses, audit and legal fees, amortization of both intangible assets and leasehold improvement, and other corporate overhead costs.

**(y) Research and development expenses**

Research and development expenses primarily consist of employee wages and benefits for research and development personnel, general expenses and depreciation expenses associated with research and development activities.

**(z) Lease**

- Prior to the adoption of ASC 842 on January 1, 2019:

Leases, including leases of offices and warehouses, where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases are recognized as an expense on a straight-line basis over the lease term. The Group had no capital leases for any of the years stated herein.

- Upon and hereafter the adoption of ASC 842 on January 1, 2019:

The Group determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liability, and operating lease liability, non-current in the Group's consolidated balance sheets.

ROU assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. When determining the lease term, the Group includes options to extend or terminate the lease when it is reasonably certain that it will exercise that option, if any. As the Group's leases do not provide an implicit rate, the Group uses its incremental borrowing rate, which it calculates based on the credit quality of the Group and by comparing interest rates available in the market for similar borrowings, and adjusting this amount based on the impact of collateral over the term of each lease.

The Group has elected to adopt the following lease policies in conjunction with the adoption of ASU 2016-02: (i) elect for each lease not to separate non-lease components from lease components and instead to account for each separate lease component and the non-lease components associated with that lease component as a single lease component; (ii) for leases that have lease terms of 12 months or less and does not include a purchase option that is reasonably certain to exercise, the Group elected not to apply ASC 842 recognition requirements; and (iii) the Group elected to apply the package of practical expedients for existing

arrangements entered into prior to January 1, 2019 to not reassess (a) whether an arrangement is or contains a lease, (b) the lease classification applied to existing leases, and (c) initial direct costs.

**(aa) Employee social security and welfare benefits**

Employees of the Group in the PRC are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurance, medical insurance, unemployment benefit and housing fund plans through a PRC government-mandated multi-employer defined contribution plan. The Group is required to contribute to the plan based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government.

The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed and no legal obligation beyond the contributions made.

**(ab) Income taxes**

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions.

Deferred income taxes are accounted for using an asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purpose. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of operations and comprehensive income/(loss) in the period of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

**Uncertain tax positions**

The guidance on accounting for uncertainties in income taxes prescribes a more likely than not threshold for financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating the Group's uncertain tax positions and determining its provision for income taxes. The Group recognizes interests and penalties, if any, under accrued expenses and other current liabilities on its consolidated balance sheets and under other expenses in its statements of operations and comprehensive income/(loss). The Group did not recognize any significant interest and penalties associated with uncertain tax positions for the years ended December 31, 2018, 2019 and 2020. As of December 31, 2019 and 2020, the Group did not have any significant unrecognized uncertain tax positions.

The Company adopted ASC 740-270-30-36 approach for interim period tax computation and reporting. Interim period tax (or benefit) related to consolidated ordinary income (or loss) for the year to date is computed using one overall estimated annual effective tax rate, except for jurisdiction if a subsidiary anticipates an ordinary loss for the fiscal year or has an ordinary loss for the year to date.

**(ac) Government Grants**

Government grants are recognized as other income when received. For the years ended December 31, 2018, 2019 and 2020, the Group recognized government grants of US\$ 211,411, US\$ 463,253 and US\$ 1,825,865 from the local PRC government authorities, respectively. These subsidies were non-recurring, not refundable and with no conditions attached. There are no defined rules and regulations to govern the criteria necessary for companies to enjoy such benefits and the amount of financial subsidy is determined at the discretion of the relevant government authorities.

**(ad) Share-based compensation**

Share-based compensation costs are measured at the grant date. The share-based compensation expenses have been categorized as either fulfillment expenses, sales and marketing expenses, general and administrative expenses or research and development expenses depending on the job functions of the grantees.

For the restricted share units granted with service conditions, compensation expense is recognized using the straight-line method over the requisite service period. Forfeitures are estimated at the time of grant, with such estimate updated periodically and with actual forfeitures recognized currently to the extent they differ from the estimate.

For the restricted share units granted with performance conditions whose vesting is contingent upon meeting company-wide performance goals, compensation expenses are recognized using graded vesting method over the requisite service period in accordance with ASC 718 and will be adjusted for subsequent changes in the expected outcome of the performance-vesting condition. For restricted share units granted with service conditions and the occurrence of an initial public offering ("IPO") as performance condition, cumulative share-based compensation expenses for the options that have satisfied the service condition will be recorded upon the completion of the IPO, using the graded vesting method.

For the restricted share units granted with market condition whose vesting is contingent on the Company's market value exceeding a specific amount, Monte Carlo simulation has been applied to determine the fair value and requisite service period, compensation expense is recognized using the straight-line method over the estimated requisite service period unless the market condition is satisfied before the end of the initially estimated requisite service period.

Starting from November 2019 upon completion of the Company's IPO, the Group is a publicly traded company with observable price in the stock U.S exchange market to determine the fair value and requisite service period.

**(ae) Statutory reserves**

The Group's subsidiaries, consolidated VIEs incorporated in the PRC are required on an annual basis to make appropriations of retained earnings set at certain percentage of after-tax profit determined in accordance with PRC accounting standards and regulations ("PRC GAAP").

Appropriation to the statutory general reserve should be at least 10% of the after tax net income determined in accordance with the legal requirements in the PRC until the reserve is equal to 50% of the entities' registered capital. The Group is not required to make appropriation to other reserve funds and the Group does not have any intentions to make appropriations to any other reserve funds.

The general reserve fund can only be used for specific purposes, such as setting off the accumulated losses, enterprise expansion or increasing the registered capital. Appropriations to the general reserve funds are classified in the consolidated balance sheets as statutory reserves.

There are no legal requirements in the PRC to fund these reserves by transfer of cash to restricted accounts, and the Group has not done so.

Relevant laws and regulations permit payments of dividends by the PRC subsidiaries and affiliated companies only out of their retained earnings, if any, as determined in accordance with respective accounting standards and regulations. Accordingly, the above balances are not allowed to be transferred to the Company in terms of cash dividends, loans or advances.

As the Group's subsidiaries in PRC had accumulated deficits in their functional currency, RMB, for the years ended December 31, 2018, 2019 and 2020, no statutory reserve was recorded as of December 31, 2019 and 2020.

**(af) Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation.

**(ag) Dividends**

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2019 and 2020, respectively. The Group does not have any present plan to pay any dividends on ordinary shares in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business.

**(ah) Earnings/Loss per share**

Basic earnings/loss per share is computed by dividing net profit/loss attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year using the two class method. Using the two class method, net profit/loss is allocated between Class A ordinary shares, Class B ordinary shares and other participating securities (i.e. preferred shares) based on their participating rights.

Diluted earnings/loss per share is calculated by dividing net profit/loss attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalents shares outstanding during the year/period. Dilutive equivalent shares are excluded from the computation of diluted earnings/loss per share if their effects would be anti-dilutive. Ordinary share equivalents consist of the ordinary shares issuable in connection with the Group's convertible redeemable preferred shares using the if-converted method, and ordinary shares issuable upon the conversion of the stock options, using the treasury stock method. Except for voting rights, the Class A and Class B ordinary shares have all the same rights and therefore the earning/loss per share for both classes of shares are identical. The earning/loss per share amounts are the same for Class A and Class B ordinary shares because the holders of each class are entitled to equal per share dividends or distributions in liquidation.

**(ai) Comprehensive income/(loss)**

Comprehensive income/(loss) is defined as the change in shareholders' (deficit)/equity of the Company during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders, distributions to shareholders, accretions on convertible redeemable preferred shares and extinguishment of convertible redeemable preferred shares.

Comprehensive income is reported in the consolidated statements of operations and comprehensive income/(loss). Accumulated other comprehensive income of the Group include the foreign currency translation adjustments.

**(aj) Segment reporting**

Operating segments are defined as components of an enterprise engaging in businesses activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers in deciding how to allocate resources and assess performance. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results including revenue, gross profit and operating profit at a consolidated level only. The Group does not distinguish between markets for the purpose of making decisions about resources allocation and performance assessment. Hence, the Group has only one operating segment and one reportable segment.

**(ak) Recently issued accounting pronouncements**

The Group considers the applicability and impact of all accounting standards updates ("ASUs"). Management periodically reviews new accounting standards that are issued. Under the Jumpstart Our Business Startups Act of 2012, as amended ("the JOBS Act"), the Group meets the definition of an emerging growth company, or EGC, and has elected the extended transition period for complying with new or revised accounting standards, which delays the adoption of these accounting standards until they would apply to private companies.

i. New and amended standards adopted by the Group:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to classify leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized over

the lease term based on an effective interest method for financing leases or on a straight-line basis for operating leases. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expenses for such lease generally on a straight-line basis over the lease term. For public entities, the guidance was effective for annual reporting periods beginning after December 15, 2018 and for interim periods within those fiscal years.

ASU 2016-02 initially required adoption using a modified retrospective approach, under which all years presented in the financial statements would be prepared under the revised guidance. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842), which added an optional transition method under which financial statements may be prepared under the revised guidance for the year of adoption, but not for prior years. Under the latter method, entities will recognize a cumulative catch-up adjustment to the opening balance of retained earnings in the period of adoption.

The Group adopted ASC 842 using the modified retrospective approach with an effective date of January 1, 2019 for leases that existed on that date. Prior period results continue to be presented under ASC 840 based on the accounting standards originally in effect for such periods. This standard provides a number of optional practical expedients in transition. The Company applied certain practical expedients to leases that commenced prior to the effective date as follows: (i) elect for each lease not to separate non-lease components from lease components and instead to account for each separate lease component and the non-lease components associated with that lease component as a single lease component; (ii) for leases that have lease terms of 12 months or less and does not include a purchase option that is reasonably certain to exercise, the Company elected not to apply ASC 842 recognition requirements; and (iii) the Company elected to apply the package of practical expedients for existing arrangements entered into prior to January 1, 2019 to not reassess (a) whether an arrangement is or contains a lease, (b) the lease classification applied to existing leases, and (c) initial direct costs.

In connection with the adoption of ASC 842, on January 1, 2019, the Group recorded an impact of US\$ 1,735,966 on its assets and US\$ 1,735,966 on its liabilities for the recognition of operating lease right-of-use-assets and operating lease liabilities, respectively, which are primarily related to the lease of the Group's offices and warehouses. The adoption of ASC 842 did not have a material impact on the Company's results of operations or cash flows.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. This standard eliminates, adds and modifies certain disclosure requirements for fair value measurements in ASC 820, Fair Value Measurement, as part of its disclosure framework project. ASU 2018-13 is effective for the Company beginning January 1, 2020. The amendments in ASU 2018-13 that relate to changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments in ASU 2018-13 should be applied retrospectively to all periods presented upon their effective date. The adoption of ASU 2018-13 did not have a material impact on the Group's disclosures.

ii. New and amended standards not yet adopted by the Group:

In May 2019, the FASB issued ASU 2019-05, which is an update to ASU Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced the expected credit losses methodology for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. The amendments in Update 2016-13 added Topic 326, Financial Instruments—Credit Losses, and made several consequential amendments to the Codification. Update 2016-13 also modified the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis, in accordance with Subtopic 326-30, Financial Instruments—Credit Losses—Available-for-Sale Debt Securities. The amendments in this Update address those stakeholders' concerns by providing an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For those entities, the targeted transition relief will increase comparability of financial statement information by providing an option to align measurement methodologies for similar financial assets. Furthermore, the targeted transition relief also may reduce the costs for some entities to comply with the amendments in Update 2016-13 while still providing financial statement users with decision-useful information. ASU 2019-05 is effective for the Group for annual and interim reporting periods beginning January 1, 2023 assuming the Group will remain an emerging growth company at that date. The Group is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12—Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments in ASU 2019-12 simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 is effective for the Company beginning on January 1, 2021. Early adoption of the amendments is permitted. The adoption of ASU 2019-12 is not expected to have a material impact on the Group's disclosures.

In October 2020, the FASB issued ASU 2020-08, "Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs". The amendments in this Update represent changes to clarify the Codification. The amendments make the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. ASU 2020-08 is effective for the Company for annual and interim reporting periods beginning after December 15, 2020. Early application is not permitted. All entities should apply the amendments in this Update on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities. These amendments do not change the effective dates for Update 2017-08. The adoption of 2020-08 is not expected to have a material impact on the Group's disclosures.

In October 2020, the FASB issued ASU 2020-10, "Codification Improvements". The amendments in this Update represent changes to clarify the Codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments in this Update affect a wide variety of Topics in the Codification and apply to all reporting entities within the scope of the affected accounting guidance. ASU 2020-10 is effective for annual periods beginning after December 15, 2020 for public business entities. Early application is permitted. The amendments in this Update should be applied retrospectively. The adoption of 2020-10 is not expected to have a material impact on the Group's disclosures.

Except for the above-mentioned pronouncements, there are no new recent issued accounting standards that will have a material impact on the consolidated financial position, statements of operations and cash flows.

### 3. Divestment of subsidiaries and deconsolidation of Yang Infinity

#### Yang VIE and Xianggui

On April 27, 2020, the Group entered into a share transfer agreement with Xianggui Health Management, an entity jointly owned by the Group's co-founders Ms. Wang and Mr. Zeng, pursuant to which the Group transferred all of the equity interests it held in Xianggui, representing 60% of its total outstanding share capital, to Xianggui Health Management, for a consideration of RMB3.4 million (US\$521,000). The consideration was calculated based on the fair value of the net assets of Xianggui. The Group received the full amount in 2020. On April 27, 2020, Ms. Wang and Mr. Zeng entered into a share transfer agreement with Xianggui Health Management, pursuant to which Ms. Wang and Mr. Zeng transferred 100% of the equity interests in Yang VIE, an entity controlled by Xianggui through contractual arrangements to Xianggui Health Management at nil consideration.

The Group's decision to diversify Xianggui and to deconsolidate Yang VIE is to restructure its operating entities and improve its operating results in the e-commerce health and wellness industry. The Company evaluated and determined that the divestment of Xianggui and the deconsolidation of Yang VIE did not constitute a strategic shift that has had or will have a material effect on its business operations and financial results. Therefore, the results of operations relating to Yang VIE and Xianggui were not reported as discontinued operations under the guidance of Accounting Standards Codification 205.

Xianggui Health Management and the Group are under the common control of Ms. Wang and Mr. Zeng. The difference between any proceeds and the carrying amounts of the net assets transferred was recognized in the Group's additional paid-in capital as opposed to a gain. For the year ended December 31, 2020, the Group recognized US\$200,322 in gain on divestment of Xianggui Shanghai and deconsolidation of Yang VIE, which was recorded as an additional paid-in capital, resulted from the 60% of net assets of Xianggui Shanghai and Yang VIE of US\$285,455, and the total consideration of US\$480,885 with exchange rate effect of US\$4,892.

#### Shanghai Jieshi

On July 9, 2020, the Group entered into a share transfer agreement with Xianggui Health Technology. Pursuant to the agreement, the Group transferred 100% equity interests in Shanghai Jieshi, the Group's wholly owned subsidiary, to Xianggui Health Technology for a consideration of RMB1.0 million (approximately US\$0.2 million), which was based on the fair value of the net assets of Shanghai Jieshi. The Group received the full amount in 2020.

The Group's decision to diversify Shanghai Jieshi is to restructure its operating entities and improve its operating results in the e-commerce health and wellness industry. The Company evaluated and determined that the divestment of Shanghai Jieshi did not constitute a strategic shift that has had or will have a material effect on its business operations and financial results. Therefore, the results of operations relating to Shanghai Jieshi were not reported as discontinued operations under the guidance of Accounting Standards Codification 205.

Xianggui Health Technology and the Group are under the common control of Ms. Wang and Mr. Zeng. The difference between any proceeds and the carrying amounts of the net assets transferred is recognized in the Group's additional paid-in capital as opposed to a gain. For the year ended December 31, 2020, the Group recognized approximately US\$1.4 million in gain on disposal of Shanghai Jieshi, which was recorded as an additional paid-in capital, resulted from the net deficiency of Shanghai Jieshi of US\$1.2 million, and the total consideration of US\$142,684 with exchange rate effect of US\$22,313.

#### Shanghai Hengshoutang

On October 28, 2020, the Group entered into share transfer agreement with Xianggui Health Technology. Pursuant to the agreement, the Group transferred 70% of the equity interests in Shanghai Hengshoutang to Xianggui Health Technology for a consideration of RMB5.0 million (US\$0.8 million), which was based on the fair value of the net assets of Shanghai Hengshoutang. Approximately US\$77,000 of the consideration was received by the Group in 2020, while the rest of US\$0.7 million was net against payables to Ms. Wang and Mr. Zeng during the year ended December 31, 2020.

The Group's decision to diversify Shanghai Hengshoutang is to restructure its operating entities and improve its operating results in the e-commerce health and wellness industry. The Company evaluated and determined that the divestment of Shanghai Hengshoutang did not constitute a strategic shift that has had or will have a material effect on its business operations and financial results. Therefore, the results of operations relating to Shanghai Hengshoutang were not reported as discontinued operations under the guidance of Accounting Standards Codification 205.

Xianggui Health Technology and the Group are under the common control of Ms. Wang and Mr. Zeng. The difference between any proceeds and the carrying amounts of the net assets transferred is recognized in the Group's additional paid-in capital as opposed to a gain. For the year ended December 31, 2020, the Group recognized approximately US\$340,445 in gain on disposal of Shanghai Hengshoutang, which was recorded as an additional paid-in capital, resulted from the 70% of net assets of Shanghai Hengshoutang of US\$411,138, and the total consideration of US\$744,103 with exchange rate effect of US\$7,480.

## 4. Risks and Concentration

### (a) *Foreign exchange risk*

The Group's sales, purchase and expense transactions in domestic subsidiaries are generally denominated in RMB and a significant portion of the Group's assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies.

In the PRC, foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China. In addition, the Group's cash denominated in US\$ subject the Group to risks associated with changes in the exchange rate of RMB against US\$ and may affect the Group's results of operations going forward.

**(b) Credit and Concentration risk**

The Group's credit risk arises from cash and cash equivalents, restricted cash, prepayments, loan receivables, and other current assets, and accounts receivable. The carrying amounts of these financial instruments represent the maximum amount of loss due to credit risk.

The Group expects that there is no significant credit risk associated with the cash and cash equivalents and restricted cash which are held by reputable financial institutions in the jurisdictions where the Company, its subsidiaries and VIEs are located. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. In China, the insurance coverage of each bank is RMB 500,000. As of December 31, 2020, cash balance of US \$ 3,894,720 was deposited with financial institutions located in PRC, of which approximately US \$ 2,294,662 was subject to credit risk. The Hong Kong Deposit Protection Board pays compensation up to a limit of HKD 500,000 (approximately USD 64,000) if the bank with which an individual/a company hold its eligible deposit fails. As of December 31, 2020, cash balance of approximately US \$ 2,990,585 was maintained at financial institutions in Hong Kong, of which approximately US \$ 2,576,772 was subject to credit risk. In the US, the insurance coverage of each bank is USD 250,000. As of December 31, 2020, cash balance of US \$ 37,473,282 was deposited with a financial institution located in US, of which US \$ 37,200,000 was subject to credit risk. As of December 31, 2020, cash balance of US \$ 206,949 was maintained at banks in Korea, of which approximately US \$ 162,159 was subject to credit risk. As of December 31, 2020 approximately US \$ 147,788 and US \$ 570,984 were deposited on the Group's third party platform account located in the PRC and Hong Kong, respectively. This balance is fully covered by insurance. While management believes that these financial institutions are of high credit quality, it also continually monitors their credit worthiness.

The Group has no significant concentrations of credit risk with respect to its prepayments.

Accounts receivable are typically unsecured and are derived from revenue earned through third party consumers. Loan receivables are also unsecured. The risk with respect to accounts receivable and loan receivables are mitigated by credit evaluations performed on them.

**(i) Concentration of revenues**

For the years ended December 31, 2018, 2019 and 2020, Customer A contributed 17%, 19% and 28% of total net revenue of the Group, respectively.

For the years ended December 31, 2019 and 2020, Customer C contributed 12% and 10% of total net revenue of the Group, respectively.

For the years ended December 31, 2018, 2019 and 2020, the Group, as a principal, earned net revenue, representing 34%, 23% and 25% of its total net revenue, respectively, through a third party online platform.

**(ii) Concentration of accounts receivable**

The Group has not experienced any significant recoverability issue with respect to its accounts receivables. The Group conducts credit evaluations on the third party consumers and generally does not require collateral or other security from such consumers.

The Group periodically evaluates the creditworthiness of the existing online platforms and distributors in determining an allowance for doubtful accounts primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

The following table summarized customers with greater than 10% of the accounts receivables:

	As of December 31,		
	2019	2020	
Customer A	24%	20%	20%
Customer B	23%		34%
Customer C	Less than 10%		20%

**(iii) Concentration of purchases**



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For the year ended December 31, 2020, one vendor contributed 34% of total purchase of the Group.

(iv) Concentration of accounts payable

The following table summarized vendors with greater than 10% of the accounts payable:

	<b>As of December 31,</b>
	<b>2020</b>
Vendor A	28%
Vendor B	14%

**5. Significant equity transactions**

**Initial public offering**

In November 2019, the Company completed its initial public offering on the NASDAQ Global Select Market of 4,675,000 American Depositary Shares (“ADS”) (including 300,000 ADSs sold upon the exercise of the underwriters’ over-allotment option) (every ADS represents four Class A ordinary shares, for a total ordinary shares offering of 18,700,000 shares). The net proceeds raised from the IPO amounted to approximately US\$35.0 million after deducting underwriting discounts and commissions and other offering expenses.

Upon the completion of the IPO, 9,519,000 Class A-1 and 10,817,100 Class A-2 preferred shares were converted and designated as 20,336,100 Class A ordinary shares on a one-for-one basis, and 7,938,915 Series A preferred shares were converted and designated as 8,999,999 Class A ordinary shares on an average basis of 1-for-1.13 due to the adjustment of initial conversion ratio in accordance with the terms of Series A preferred shares.

In respect of all matters subject to shareholders’ vote, each holder of Class A ordinary share is entitled to one and each holder of Class B ordinary share is entitled to ten votes.

**6. Cash and cash equivalents**

Cash and cash equivalents represent cash on hand and demand deposits placed with banks, other financial institutions and third party payment processors, which are unrestricted as to withdrawal or use. The following table sets forth a breakdown of cash and cash equivalents by currency denomination and jurisdiction as of December 31, 2019 and 2020:

	US\$			US\$ equivalent (RMB)			US\$ Equivalent (Others)			Total in US\$
	Overseas	PRC		Overseas	PRC		Overseas	PRC		
		Non VIE	VIE		Non VIE	VIE		Non VIE	VIE	
December 31, 2019	44,865,166	103,214	-	997,219	2,177,509	61,456	894,277	-	-	49,098,841
December 31, 2020	39,092,003	258,019	-	667,662	3,778,978	5,511	1,482,135	-	-	45,284,308

**7. Accounts receivable, net**

	<b>As of December 31,</b>	
	2019	2020
	US\$	US\$
Accounts receivable, gross	50,063,491	42,200,500
Less: allowance for doubtful accounts	(234,072)	(194,862)
Accounts receivable, net	49,829,419	42,005,638

*Movement of allowance of doubtful accounts*

	Year ended December 31,		
	2018	2019	2020
	US\$	US\$	US\$
At beginning of period	78,376	140,335	234,072
Addition	114,913	483,130	128,507
Reversal	(52,954)	(389,393)	(167,717)
At end of period	<u>140,335</u>	<u>234,072</u>	<u>194,862</u>

**8. Inventories**

Inventories consist of the following :

	As of December 31,	
	2019	2020
	US\$	US\$
Products	49,621,935	33,212,956
Packaging materials and others	272,579	50,138
Inventories	<u>49,894,514</u>	<u>33,263,094</u>

Inventories write-down are recorded in cost of product sales in the consolidated statement of operations and comprehensive income/(loss), which were US\$ 639,679, US\$ 1,194,496 and US\$ 548,109 for the years ended December 31, 2018, 2019 and 2020, respectively.

**9. Prepayments and other current assets**

The prepayments and other current assets consist of the following:

	As of December 31,	
	2019	2020
	US\$	US\$
Prepayments for products procurement (a)	11,445,152	2,902,347
Prepayments for service procurement (b)	2,102,793	210,863
Prepaid online platform promotion fees (c)	1,131,082	644,564
Deposits (d)	1,531,033	1,350,613
Loan deposits (Note 16)	430,034	—
Value-added tax (“VAT”) recoverable (e)	2,354,309	2,761,299
Employee advances (f)	85,495	13,676
Rental prepayments	107,521	278,364
Sales return assets	1,802,499	463,361
Others (g)	376,344	575,151
Total	<u>21,366,262</u>	<u>9,200,238</u>

(a) Prepayments for products procurement represent cash prepaid to the Group's third party brand partners for the procurement of products.

(b) Prepayments for service procurement represent cash prepaid to the Group's third party suppliers for the procurement of services in connection with the Group's service revenue. These services have not been rendered and will be provided within one year from the respective balance sheet dates.

(c) Prepaid promotion fees represent prepayments made to online platforms for future services to promote the Group's products through online advertising. Such online platforms charge monthly expenses based on activities during the month, and once confirmed by the Group, the monthly expenses will be deducted from the prepayments made by the Group.

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- (d) Deposits mainly consists security deposits to list the Group's products in the third party online platforms, and to secure timely supplies from the Group's future purchases.
- (e) Value-added tax recoverable represented the balances that the Group can utilize to deduct its value-added tax liabilities within the next 12 months.
- (f) As of December 31, 2019 and 2020, all of the employee advances were business related, interest-free, not collateralized and will be repaid or settled within one year from the respective balance sheet dates.
- (g) Others mainly represent prepayments made by the Group to certain of its logistic and other service providers.

**10. Property and equipment, net**

Property and equipment consist of the following:

	As of December 31,	
	2019 US\$	2020 US\$
Warehouse equipment	983,218	1,046,300
Furniture and office equipment	885,327	891,970
Leasehold improvements	614,302	656,792
<b>Total</b>	<b>2,482,847</b>	<b>2,595,062</b>
Less: Accumulated depreciation	(1,053,868)	(1,628,553)
<b>Property and equipment, net</b>	<b>1,428,979</b>	<b>966,509</b>

Depreciation recognized for the years ended December 31, 2018, 2019 and 2020 were US\$ 185,969, US\$ 559,063 and US\$ 580,322, respectively.

**11. Leases**

The Company leases facilities under non-cancellable operating leases expiring on different dates. The terms of substantially all of these leases are five years or less. When determining the lease term, the Company includes options to extend or terminate the lease when it is reasonably certain that it will exercise that option, if any. All of the Company's leases qualify as operating leases. With the adoption of the new leasing standard, the Company has recorded a right-of-use asset and corresponding lease liability, by calculating the present value of future lease payments, discounted at 4.4% to 6.2%, the Company's incremental borrowing rate, over the expected term. Variable lease cost and short-term leases (lease terms less than 12 months) are recognized as incurred.

(a) The components of lease expenses were as follows:

	Year ended December 31, 2019	Year ended December 31, 2020
	US\$	US\$
<b>Lease cost:</b>		
Amortization of right-of-use assets	1,529,913	1,428,048
Interest of lease liabilities	106,324	83,559
Expenses for short-term lease within 12 months	187,741	243,971
<b>Total lease cost</b>	<b>1,823,978</b>	<b>1,755,578</b>

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(b) Supplemental cash flow information related to leases was as follows:

	Year ended December 31, 2019 US\$	Year ended December 31, 2020 US\$
<b>Other information</b>		
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash outflows for operating leases	1,494,644	1,851,577
<b>Right-of-use assets obtained in exchange for lease obligations:</b>		
Operating lease liabilities	680,773	2,756,170

(c) Supplemental balance sheet information related to leases was as follows:

	December 31, 2019 US\$	December 31, 2020 US\$
<b>Operating Leases</b>		
Operating lease right-of-use assets	1,203,961	2,434,221
Operating lease liability, current	(1,052,046)	(411,557)
Operating lease liabilities, non-current	(69,347)	(1,938,885)
Total operating lease liabilities	(1,121,393)	(2,350,442)
<b>Weighted-average remaining lease term</b>		
Operating leases	1.01 years	4.43 years
<b>Weighted-average discount rate</b>		
Operating leases	6.2%	4.8%

(d) Maturities of lease liabilities were as follows:

	December 31, 2020 US\$
2021	513,087
2022	555,115
2023	602,867
2024	617,193
2025	336,651
Total undiscounted lease payments	2,624,913
Less: imputed interest	(274,471)
Total lease liabilities	2,350,442

12. Intangible assets, net

	As of December 31,	
	2019 US\$	2020 US\$
Cost:		
Business license (a)	453,617	394,949
Trademark (b) (c)	1,388,361	42,744
Software	737,184	901,097
<b>Total cost</b>	<b>2,579,162</b>	<b>1,338,790</b>
Less: Accumulated amortization	(1,267,509)	(773,684)
<b>Intangible assets, net</b>	<b>1,311,653</b>	<b>565,106</b>

Intangible assets of the Group were mainly as follows:

- (a) In April 2017, the Group consummated an acquisition of all the equity interest of Hangzhou Duoduo Supply Chain Management Co., Limited with a total cash consideration of RMB 1.9 million (US\$ 295,790).

As the total net liabilities of the acquired company was nil, in applying the screen test in accordance with ASU 2017-01, the Group determined that substantially all of the fair value of the gross assets acquired was concentrated in the business license held by the supply chain company. As a result, the screen test was met to support the conclusion of asset acquisition.

The fair values of the business license with amount of RMB 2.6 million (US\$ 394,386) is amortized over 5 years on a straight-line basis. Deferred tax liability of RMB 0.6 million (US\$ 98,596) is recognized in associated with the identifiable intangible asset.

- (b) In April 2016, non-controlling interest shareholders of Shanghai Hengshoutang contributed trademarks as their investment in Shanghai Hengshoutang.

The trademarks with a cost of RMB 3.0 million (US\$ 464,475) is amortized over 10 years on a straight-line basis.

Shanghai Hengshoutang was disposed in October 2020. See Note 3 - Divestment of subsidiaries and deconsolidation of VIEs for more details.

- (c) On December 16, 2016, the Group consummated an acquisition of 70% of the equity interest of Shanghai Jieshi Technology Co., Limited ("Shanghai Jieshi") with the cash consideration of RMB 0.7 million (US\$ 100,908). Management concluded such transaction as a business acquisition. The financial results of Shanghai Jieshi have been consolidated by the Company since the acquisition date.

The net liabilities acquired based on their fair values was RMB 3.8 million (US\$ 543,505). The newly identifiable intangible assets were RMB 6.4 million (US\$ 916,879) which primarily consist of trademarks. Deferred tax liability of RMB1.6 million (US\$ 229,220) as recognized in associated with the identifiable intangible assets.

Fair values of the trademarks with amount of RMB 6.4 million (US\$ 916,879) is amortized over 5 years on a straight-line basis.

Shanghai Jieshi was disposed in July 2020. See Note 3 - Divestment of subsidiaries and deconsolidation of VIEs for more details.

Amortization costs recognized for the years ended December 31, 2018, 2019 and 2020 were US\$ 419,609, US\$ 437,652 and US\$ 248,224, respectively.

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As of December 31, 2020, amortization expenses related to the intangible assets for future periods were estimated to be as follows:

	<b>December 31,</b>
	<b>2020</b>
	<b>US\$</b>
2021	232,051
2022	164,565
2023	98,499
2024	45,506
2025	24,485
	565,106

**13. Loan receivable**

On July 23, 2020, the Group has entered into an investment agreement with Anze Premium Health and Beauty Pte. Ltd. (“Anze”), a company involved in the research and development of Chinese herbal medicine-based health and wellness products. The Group has committed to paying Anze up to US\$30 million, comprising of up to US\$15 million for an equity interest in Anze and up to US\$15 million for zero coupon notes issued by Anze.

The convertible notes shall be repaid in installments starting in the 1st quarter of 2021 and ending in 2023. The Group has the right to convert the convertible notes into equity at predetermined valuations starting in 2021. However, the notes did not specify the conversion rate and the Group did not have any intention to amend the notes agreement with Anze to clarify the conversion term because the Group did not have any intention to exercise the conversion option. As a result, the Group accounted for the zero coupon notes as loan receivable.

As of December 31, 2020, the loan receivable balance amounted to \$646,000 and the balance was repaid in full in January 2021.

**14. Other non-current assets**

Other non-current assets consisted of the following:

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
Online store and other deposits	1,308,858	1,526,755
Prepayments for royalty fee (a)	218,325	-
Prepayments for equipment and software procurement	11,813	2,651
Total	1,538,996	1,529,406

- (a) In June 2019, the Group entered into agreement with a third party business partner for the usage of the business partner's images of characters on the products to be sold by the Group during the period from September 1, 2019 to September 30, 2020. Pursuant to the agreement, the Group shall pay the business partner royalty fees based on certain percentage of the sales of related products during the contract period not lower than an agreed minimum royalty fee. The Group prepaid the minimum royalty fee to the business partner with the amount of US\$ 339,215 in June 2019 which will be used to settle its future royalty fees. Prepaid royalty fee of US\$ 96,424 and US\$ 220,813 was amortized and recognized as sales and marketing expenses in the year of 2019 and 2020, respectively.

**15. Long-term investment**

On July 23, 2020, the Group has entered into an investment agreement with Anze Premium Health and Beauty Pte. Ltd. (“Anze”), a company involved in the research and development of Chinese herbal medicine-based health and wellness products. The Group has committed to paying Anze up to US\$30 million, comprising of up to US\$15 million for an equity interest in Anze and up to US\$15 million for zero coupon notes issued by Anze. As of December 31, 2020, the Company has invested \$5,904,000 in Anze. It represents a 11.7% equity ownership in Anze, for which the Group currently does not have any significant influence over the operations of Anze and is not subjected to equity method accounting. Subsequent to December 31, 2020, the Company invested an additional US\$ 1,450,000 in long-term investment in Anze for an additional 2.9% ownership for a total of 14.6%.

**16. Short-term borrowings**

- Bank borrowings

As of December 31, 2019 and 2020, the total short-term bank borrowings balance of the Group was US\$ 23,253,294 and US\$6,472,096, respectively. The short-term bank borrowings outstanding as of December 31, 2019 and 2020 carried a weighted average interest rate of 6.38% and 4.92% per annum, respectively.

a) The Group’s bank facility arrangements are summarized as follows:

On October 18, 2018, two fully owned subsidiaries of the Group obtained a three-year revolving loan facility in an aggregate principal amount not exceeding US\$25.0 million from Taipei Fubon Commercial Bank Co. Ltd., Hong Kong Branch. On March 25, 2020, this aggregate principal amount not exceeding US\$18.0 million. Borrowings drawn down from the loan facility were charged by account receivables, bank accounts as well as inventories of these subsidiary and are also charged by certain of the Class B ordinary shares held by the Founders. As of December 31, 2019 and 2020, short-term bank borrowings with the amount of US\$ 14,695,000 and US\$2,200,000, respectively, were from such revolving loan facility.

On October 29, 2018, one of the fully owned subsidiaries of the Group obtained a two-year revolving loan facility in an aggregate principal amount not exceeding US\$ 4,000,000 from The Hong Kong and Shanghai Banking Corporation Limited. As of December 31, 2019, borrowings drawn down from the loan facility were charged by certain accounts receivables with the carrying value of US\$ 3,239,987 and bank deposits of US\$ 2,000,000 which was classified as restricted cash and are also charged by the other two fully owned subsidiaries of the Group and the Founders. As of December 31, 2019, short-term bank borrowings with the amount of US\$ 3,983,355 were from such revolving loan facility. The loan has been repaid as of December 31, 2020.

On March 18, 2019, one of the fully owned subsidiaries of the Group obtained a one-year revolving loan facility in an aggregate principal amount not exceeding US\$ 2,150,168 (RMB 15,000,000) from China Merchants Bank, Shanghai Tianyaoqiao Branch. Borrowings drawn down from the loan facility were charged by the other fully owned subsidiary of the Group and the Founders. As of December 31, 2019, short-term bank borrowings with the amount of US\$ 1,433,445 (RMB 10,000,000) were from such revolving loan facility. The loan has been repaid as of December 31, 2020.

On May 6, 2019, one of the fully owned subsidiaries of the Group obtained a one-year revolving loan facility in an aggregate principal amount not exceeding US\$ 286,689 (RMB 2,000,000) from Ningbo Commerce Bank, Shanghai Branch. Borrowings drawn down from the loan facility were guaranteed by the Founders. As of December 31, 2019, short-term bank borrowings with the amount of US\$ 274,603 (RMB 1,915,688) were from such revolving loan facility. The loan has been repaid as of December 31, 2020.

On August 14, 2020, one of the fully owned subsidiaries of the Group obtained a one-year revolving loan facility in an aggregate principal amount not exceeding US\$ 766,295 (RMB 5,000,000) from Bank of Ningbo, Shanghai Branch. Borrowings drawn down from the loan facility were guaranteed by the Founders. As of December 31, 2020, short-term bank borrowings with the amount of US\$ 766,295 (RMB 5,000,000) were from such revolving loan facility.

On September 18, 2020, one of the fully owned subsidiaries of the Group obtained a one-year revolving loan facility in an aggregate principal amount not exceeding US\$ 153,259 (RMB 1,000,000) from Bank of Ningbo, Shanghai Branch. Borrowings drawn down from the loan facility were collateralized by the Company’s property and equipment and guaranteed by the Founders and a third party guarantor. As of December 31, 2020, short-term bank borrowings with the amount of US\$ 134,102 (RMB 875,000) were from such revolving loan facility.

b) The Group's other bank borrowings are summarized as follows:

As of December 31, 2019 and 2020, bank borrowings of US\$ 716,723 (RMB 5,000,000) and US\$ 1,532,590 (RMB 10,000,000), respectively, were guaranteed by the Founders. On June 30, 2020, the Group entered into a one-year loan agreement with Industrial Bank, with a principal amount of US\$ 1,226,072 and annual interest rate of 5.30%. On August 3, 2020, the Group entered into a six-month loan agreement with Industrial and Commercial Bank of China Limited, with a principal amount of US\$ 306,518 and annual interest rate of 4.95%.

As of December 31, 2019, bank borrowings of US\$ 716,723 (RMB 5,000,000) were guaranteed by one of the subsidiaries of the Group.

As of December 31, 2019, bank borrowings of US\$ 1,433,445 (RMB 10,000,000) were collateralized by bank deposits of US\$ 430,034 placed in the third party bank account which was classified as deposits in prepayments and other current assets (Note 9).

As of December 31, 2020, bank borrowings of US\$ 1,839,109 (RMB 12,000,000) were guaranteed by the Founders and a third party guarantor. On November 30, 2020, the Group entered into a one-year loan agreement with Bank of Shanghai, with a principal amount of US\$ 1,532,591 and annual interest rate of 3.85%. On December 7, 2020, the Group entered into a one-year loan agreement with Bank of Communications, with a principal amount of US\$ 306,518 and annual interest rate of 4.05%.

- Other borrowings

As of December 31, 2019 and 2020, the total other borrowings of the Group was US\$ 11,262,659 and US\$ 10,470,655, respectively.

From July to December 2019, the Group entered into several one-year loan agreements with a third-party company with a total principal amount of US\$ 4,466,687 and annual interest rates of 10.9%. The loans were collateralized by certain accounts receivable with carrying value of US\$ 5,739,895. The loan has been repaid as of December 31, 2020.

From September to December 2019, the Group entered into four-month loan agreements with a third-party company with a total principal amount of US\$ 205,983 and annual interest rates of 10%. The loans were collateralized by certain accounts receivable with the carrying value of US\$ 271,068. The loan has been repaid as of December 31, 2020.

From September to December 2019, the Group entered into six-month loan agreements with a third-party company, with a principal amount of US\$ 4,812,000 and annual interest rate of 7.8%. The loan has been repaid as of December 31, 2020.

From October to December 2019, the Group entered into six-month loan agreements with a third-party company with a principal amount of US\$ 1,777,989 and annual interest rate of 7%. The loans were collateralized by certain accounts receivable with the carrying value of US\$ 2,214,141. The loan has been repaid as of December 31, 2020.

From January to September 2020, the Group entered into four-month loan agreements with a third-party company with a total principal amount of US\$ 374,381 and annual interest rates of 10%. The loans were collateralized by certain accounts receivable with carrying value of US\$ 418,558.

From January to September 2020, the Group entered into six-month loan agreements with a third-party company with a total principal amount of US\$ 688,855 and annual interest rates of 6%. The loans were collateralized by certain accounts receivable with carrying value of US\$ 576,736.



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In October 2020, the Group entered into six-month loan agreements with a third-party company with a total principal amount of US\$ 1,750,000 and annual interest rates of 8.5%.

From March to October 2020, the Group entered into one-year loan agreements with a third-party company with a total principal amount of US\$ 2,898,859 and annual interest rates of 10.9%. The loans were collateralized by certain accounts receivable with carrying value of US\$ 4,599,394.

In November 2020, the Group entered into one-year loan agreements with a third-party company with a total principal amount of US\$ 1,703,693 and annual interest rates of 8.5%. The loans were collateralized by certain accounts receivable and inventories with carrying value of US\$1,925,567 and collateralized by inventory in certain warehouse of the Group.

In December 2020, the Group entered into three-month loan agreements with a third-party company with a total principal amount of US\$ 2,554,867 and annual interest rates of 7.8%.

From June to December 2020, the Group entered into three-month loan agreements with a third-party company with a total principal amount of US\$ 500,000 and annual interest rates of 9%.

- Bank and other borrowings:

There exists no restrictive financial covenants attached to all of the Group's short-term borrowings.

The short-term other borrowings outstanding as of December 31, 2019 and 2020 carried a weighted average interest rate of 7.18% and 7.39% per annum, respectively.

Interest expenses of bank and other borrowings were US\$ 978,477, US\$ 2,605,167 and US\$ 2,650,317 for the years ended December 31, 2018, 2019 and 2020, respectively.

**17. Accrued liabilities and other current liabilities**

Accrued liabilities and other current liabilities consist of the following:

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
Logistics expenses payables	1,103,398	1,041,570
Deposits from distributors	312,469	262,641
Redeemable non-controlling interests acquisition payables (Note 20)	3,120,583	—
Business acquisition payables	43,003	—
Payables for service procurement in connection with service revenue	2,284,011	2,222,142
Refund obligation of sales return	2,422,155	634,119
Others	1,231,369	878,389
<b>Total</b>	<b>10,516,988</b>	<b>5,038,861</b>

**18. Tax payables**

	As of December 31,	
	2019 US\$	2020 US\$
Value added tax liabilities	1,237,365	1,617,172
Income tax payables	1,698,132	1,811,852
Urban maintenance and construction tax	14,160	24,661
Surtax for education expenses	7,555	39,140
Individual income tax withholding	6,052	4,544
Others	79,570	76,848
<b>Total</b>	<b>3,042,834</b>	<b>3,574,217</b>

The Group's product revenues are subject to value-added tax at the rate ranging from 9% to 13%, and the Group's service revenues are subject to value-added tax at the rate of 6%.

**19. Redeemable convertible preferred shares**

In August 2015, ECMOHO Shanghai received a total capital contribution of US\$ 13,081,880 from third-party investors (the "Round A Investors") in exchange for 19% equity interests with preferential rights in ECMOHO Shanghai (the "Round A convertible redeemable preferred shares" or "Round A preferred shares").

In April 2016, ECMOHO Shanghai received a total capital contribution of US\$ 24,000,000 from third-party investors (the "Round B Investors") in exchange for 12% equity interest with preferential rights in ECMOHO Shanghai (the "Round B convertible redeemable preferred shares" or "Round B preferred shares").

According to the investment agreements with Round A Investors and Round B Investors, the equity interest held by them have the following preferential rights over the equity interests held by the Founders:

- a. In the event of liquidation, Round B Investors have preference over the interests held by Round A Investors, followed by Founders. The liquidation amount is 150% of the original investment amount plus all declared but unpaid dividends (if applicable) plus its pro rata share of undistributed earnings.
- b. In the event of a significant breach of contract by ECMOHO Shanghai or the Founders, both Round A and Round B Investors have the right to put the equity interest back to ECMOHO Shanghai or the Founders. The put price shall be 110% of the original investment amount plus 15% compound interest per annum.
- c. In the event that the Company does not achieve a public listing before August 2021, both Round A and Round B Investors have the right to put the equity interest back to ECMOHO Shanghai or the Founders. The put price shall be 110% of the original investment amount plus 10% interest per annum.
- d. Both Round A and Round B Investors are entitled to dividends in the same manner as the other equity interest of ECMOHO Shanghai.
- e. Both Round A and Round B Investors have rights to appoint directors on the board of ECMOHO Shanghai.

In April 2018, the Founders entered into an agreement with one of the Round A Investors ("Exit Investor") to purchase all of its 8.36% equity interests with preferential rights in ECMOHO Shanghai at fair value.

During the Reorganization process (Note 1(b)), preferential rights associated with the 8.36% equity interest acquired by the Founders were removed and exchanged into 9,519,000 Class A Ordinary Shares of the Company in August 2018, which was considered as an extinguishment of the preferential rights. Subsequently in the same month, the Founders sold 8,880,894 Class A Ordinary Shares out of the 9,519,000 shares to third-party investors (Note 21).

As described in Note 1(b), during the Reorganization process, after ECMOHO HK purchased 97.5% equity interest of ECMOHO Shanghai, on September 27, 2018, the Company issued 9,519,000 and 10,817,100 number of Class A-1 and Class A-2 Ordinary Shares with preferential rights (the "Class A-1 and Class A-2 convertible redeemable preferred shares" or "Class A-1 and Class A-2 preferred shares") to its Round A and Round B Investors, all in the same proportions, on an as converted basis, as the percentage of equity interest they held in ECMOHO Shanghai before the Reorganization. Except for the NCI holders, who remained to hold collectively 2.5% equity interests of ECMOHO Shanghai, preferential rights associated with the Round A and Round B preferred shares set forth above were removed and replaced by the terms as described below during the Reorganization.

In August and September 2018, the Company issued 7,938,915 number of Series A convertible redeemable preferred shares ("Series A preferred shares") with US\$ 2.8341 per share for a total cash consideration of US\$ 22,500,000. The issuance costs were US\$ 70,033.

The key terms of the Class A-1, Class A-2 and Series A Preferred Shares issued by the Company are as follows:

**Conversion rights**

*Optional Conversion*

Each Series A Preferred Share shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of Class A Ordinary Shares as is determined by dividing the Series A Preferred Shares Original Issue Price by the Series A Preferred Share Conversion Price in effect at the time of conversion.

The Series A Preferred Share Conversion Price shall initially be the Series A Preferred Share Original Issue Price, resulting in an initial conversion ratio for the Series A Preferred Shares of 1:1, and shall be subject to adjustment and readjustment from time to time, including but not limited to additional equity securities issuance, share dividends, distribution, subdivisions, redemptions, combinations, or consolidation of ordinary shares.

*Mandatory Conversion*

Upon either (a) a Qualified IPO or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of the Series A Preferred Shares, then all outstanding Series A Preferred Shares shall automatically be converted into Class A Ordinary Shares, at the then effective conversion rate.

Upon a Qualified IPO, all outstanding Class A-1 and Class A-2 Preferred Shares shall automatically be converted into Class A Ordinary Shares, at the then effective Class A-1 Conversion Price and Class A-2 Conversion Price. The Class A-1 and Class A-2 Conversion Price shall initially be the Class A-1 and Class A-2 Original Issue Price, resulting in an initial conversion ratio for the Class A-1 and A-2 Ordinary Shares of 1:1, and shall be subject to adjustment and readjustment from time to time, including but not limited to additional equity securities issuance, share dividends, distribution, subdivisions, redemptions, combinations, or consolidation of ordinary shares.

A Qualified IPO means a firm-commitment underwritten initial public offering by the Company of its Ordinary Shares (or the ADSs thereof) on the New York Stock Exchange or NASDAQ Stock Market in the United States, the Hong Kong Stock Exchange or any other exchange in any other jurisdiction (or any combination of such exchanges and jurisdictions) acceptable to the Company, in any case with a pre-initial public offering valuation of at least US\$600,000,000 and with aggregate offering proceeds (before deduction of underwriting fees, commissions or expenses) to the Company of not less than US\$120,000,000 (or any cash proceeds of other currency of equivalent value).

The Company determined that there were no beneficial conversion features identified for any of the Preferred Shares during any of the periods. In making this determination, the Company compared the fair value of the ordinary shares into which the Preferred Shares are convertible with the respective effective conversion price at the issuance date. In all instances, the effective conversion price was greater than the fair value of the ordinary shares. To the extent a conversion price adjustment occurs, as described above, the Company will re-evaluate whether or not a beneficial conversion feature should be recognized.

**Voting rights**

Each holder of Class A-1, Class A-2 and Series A Preferred Shares is entitled to cast the number of votes equal to the number of Class A Ordinary Share on an as-converted basis.

***Dividend rights***

Each holder of Series A Preferred Shares is entitled to receive dividends at the rate per annum of 6% of the Series A Original issue price. The dividends is accrued from day to day, whether or not declared, and is non-cumulative. After full payment of dividend to the holder of the Series A Preferred Shares, the holders of the Class A-1 and Class A-2 Preferred Shares shall have right to receive dividends of the Company if declared by the Directors and in such amount as the Directors consider appropriate.

***Liquidation preference***

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, and in the event of a Deemed Liquidation Event (for example, a merger, share exchange, amalgamation or consolidation, etc.), the consideration payable to shareholders in such liquidation shall be distributed among the holders of the outstanding shares in the following order and manner:

Firstly, the holders of Series A Preferred Shares then outstanding shall be entitled to be paid, pari passu as between themselves, an amount per Share equal to 100% of the Series A Original Issue Price, plus all declared but unpaid dividends (if applicable) on such Series A Preferred Share (the "Series A Liquidation Amount").

Secondly, the holders of Class A-2 Preferred Shares then outstanding shall be entitled to be paid, pari passu as between themselves, an amount per Share equal to 100% of the applicable Class A-2 Original Issue Price (as adjusted), plus all declared but unpaid dividends (if applicable) on such Class A-2 Preferred Share (the "Class A-2 Liquidation Amount").

Thirdly, the holders of Class A-1 Preferred Shares then outstanding shall be entitled to be paid, pari passu as between themselves, an amount per Share equal to 100% of the applicable Class A-1 Original Issue Price (as adjusted), plus all declared but unpaid dividends (if applicable) on such Class A-1 Preferred Share (the "Class A-1 Liquidation Amount").

Lastly, if there are any assets or funds remaining after the aggregate of the Series A Liquidation Amount, Class A-2 Liquidation Amount and Class A-1 Liquidation Amount has been distributed or paid in full to the applicable holders of Series A Preferred Shares, Class A-2 Preferred Shares, Class A-1 Preferred Shares, respectively, the holders of the Series A Preferred Shares, Class A-1 Preferred Shares, Class A-2 Preferred Shares, Class A Ordinary Shares and Class B Ordinary Shares shall be entitled to be paid, pari passu as between themselves, an amount per Share equal to the remaining assets and funds of the Company available for distribution to the Shareholders divided by the number of Shares held by such Shareholders on an as converted basis (the "Remaining Liquidation Amount").

***Redemption right***

Series A Preferred Shares shall be redeemed by the Company at a price equal to the Series A Original Issue Price per share, plus the amount which would accrue on the Series A Original Issue Price at the annual rate of six percent (6%) from the date of the Series A Original Issue Date up to and including such date as the Series A Liquidation Amount is paid with respect to such Series A Preferred Share (the "Series A Redemption Price"), in thirty-six (36) monthly instalments within three (3) years commencing not more than 90 days after receipt by the Company at any time on or after the fifth anniversary of the date of the Series A Original Issue Date from any holder of the Series A Preferred Shares of written notice requesting redemption of all Series A Preferred Shares (the "Series A Redemption Request") held by such holder or on a payment schedule mutually agreed by the Company and such holder of the Series A Preferred Shares requesting redemption.

After the payment in full of the Series A Redemption Price for all outstanding Series A Redemption Request, Class A-2 Preferred Shares shall be redeemed by the Company at a price equal to the Class A-2 Original Issue Price per share, plus the amount which would accrue on the Class A-2 Original Issue Price at the annual rate of six percent (6%) from the date of the Class A-2 Original Issue Date up to and including such date as the Class A-2 Liquidation Amount is paid with respect to such Class A-2 Preferred Share (the "Class A-2 Redemption Price"), in thirty-six (36) monthly instalments within three (3) years commencing not more than 90 days after receipt by the Company at any time on or after the fifth anniversary of the date of the Series A Original Issue Date from any holder of Class A-2 Preferred Shares of written notice requesting redemption of all Class A-2 Preferred Shares (the "Class A-2 Redempting Request") held by such holder or on a payment schedule mutually agreed by the Company and such holder of Class A-2 Preferred Shares requesting redemption.

After the payment in full of (i) the Series A Redemption Price for all outstanding Series A Redemption Request and (ii) the Class A-2 Redemption Price for all outstanding Class A-2 Redemption Request, Class A-1 Preferred Shares shall be redeemed by the Company at a price equal to the Class A-1 Original Issue Price per share, plus the amount which would accrue on the Class A-1 Original Issue Price at the annual rate of six percent (6%) from the date of the Class A-1 Original Issue Date up to and including such date as the Class A-1 Liquidation Amount is paid with respect to such Class A-1 Preferred Share (the "Class A-1 Redemption Price"), in thirty-six (36) monthly instalments within three (3) years commencing not more than 90 days after receipt by the Company at any time on or after the fifth anniversary of the date of the Series A Original Issue Date from any holder of Class A-1 Preferred Shares of written notice requesting redemption of all Class A-1 Preferred Shares (the "Class A-1 Redemption Request") held by such holder or on a payment schedule mutually agreed by the Company and such holder of Class A-1 Preferred Shares requesting redemption.

#### ***Accounting of Preferred Shares***

The Company classified the Round A, Round B, Class A-1, Class A-2 and Series A preferred shares (collectively as the "Preferred Shares") as mezzanine equity in the consolidated balance sheets because they were redeemable at the holders' option any time after a certain date or were contingently redeemable upon the occurrence of certain liquidation events outside of the Company's control. The Preferred Shares are recorded initially at fair value, net of issuance costs.

For each reporting period, the Company recorded accretions on the Preferred Shares to the respective redemption value by using the effective interest rate method from the issuance dates to the earliest redemption dates as set forth in the original issuance.

The accretion is recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in-capital, or in the absence of additional paid-in-capital, by charges to accumulated deficit. The accretion of the Preferred Shares was US\$ 3,038,407 and US\$ 1,022,461 for the years ended December 31, 2018 and 2019.

When the preferred shareholders converted their preferred shares to ordinary shares upon completion of the IPO in November 2019, the Company calculated the accretion value of the preferred share through the IPO date and the difference between the carrying value of the preferred shares on the IPO date and the paid-in capital of ordinary share converted into were recognized in the additional paid-in capital.

#### ***Extinguishment of preferred shares***

The Company assesses whether amendments to the terms of its Preferred Shares is an extinguishment or a modification from both quantitative and qualitative perspectives.

##### ***i. Extinguishment of Round A and Round B preferred shares during Reorganization***

As described above, prior to the Reorganization, the equity interests of ECMOHO Shanghai held by the Round A and Round B Investors were with liquidation preference and also were redeemable at the holders' option any time after a certain date or breach of contract by ECMOHO Shanghai or the Founders.

Upon completion of the Reorganization, Round A and Round B Investors' equity interests with preferential rights, except for the 2.5% held by NCI holder, in ECMOHO Shanghai were exchanged into 9,519,000 Class A-1 and 10,817,100 Class A-2 Preferred Shares of the Company, respectively.

The most significant changes in the preferential rights of the Round A and Round B Investors are in respect with the redemption right and liquidation preference.

From both quantitative and qualitative perspectives, the Company assessed the impact of the above amendments and concluded that these amendments represent extinguishment rather than modification of Round A and Round B preferred shares. Therefore, at the time of the extinguishment, Round A and Round B preferred shares with the carrying amount of US\$ 8,361,109 and US\$ 23,284,214 are derecognized, respectively, and Class A-1 and A-2 Preferred Shares are measured at its fair value with the amount of US\$ 19,495,152 and 26,172,432, respectively, with the difference of US\$ 14,022,261 charged to additional paid-in capital and accumulated deficit with the amount of US\$ 8,754,073 and US\$ 5,268,188, respectively.

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The Company concluded that there is no accretion to be recognized for Class A-1 and Class A-2 preferred shares because their initial carrying amount is greater than the redemption value as of December 31, 2018 and 2019. Therefore, no adjustment will be made to the initial carrying amount of the Class A-1 and Class A-2 preferred shares until the redemption amount exceeds the carrying amount.

ii. Extinguishment of 8.36% Round A preferred shares during the Reorganization

As described above, preferential rights associated with the 8.36% equity interest acquired by the Founders were removed during the Reorganization process and exchanged into 9,519,000 Class A Ordinary Shares of the Company. From accounting perspective, the Founders exchanged their preferred equity interests in ECMOHO Shanghai into the preferred shares of the Company and immediately exercise its conversion right to convert the preferred shares into Class A Ordinary Shares. Changes from the preferred equity interests in ECMOHO Shanghai to preferred shares of the Company were also considered as an extinguishment. Therefore, at the time of the extinguishment, the Round A preferred shares with the carrying amount of US\$ 8,754,168 held by the Founders were derecognized, and corresponding preferred shares were measured at its fair value with the amount of US\$ 19,495,152 on the extinguishment date, with the difference amounted to US\$ 10,740,984 charged to additional paid-in capital. Simultaneously, the Founders converted the preferred shares to exchange 9,519,000 Class A Ordinary Shares of the Company (Note 21). The preferred shares with the carrying amount of US\$ 19,495,152 were derecognized, and the corresponding Class A Ordinary Shares were increased by US\$ 95 and US\$ 19,495,057 in par value and additional paid-in capital, respectively.

***Conversion of Preferred Shares upon IPO***

Upon completion of the Company's IPO in November 2019, 9,519,000 Class A-1 and 10,817,100 Class A-2 preferred shares were converted and designated as 20,336,100 Class A ordinary shares on a one-for-one basis, and 7,938,915 Series A preferred shares were converted and designated as 8,999,999 Class A ordinary shares on an average basis of 1-for-1.13 due to the adjustment of initial conversion ratio in accordance with the terms of Series A preferred shares (Note 5).

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The Company's Preferred Shares activities for the years ended December 31, 2018 and 2019 are summarized below:

	Round A Preferred Shares		Round B Preferred Shares		Class A-1 Preferred Shares		Class A-2 Preferred Shares		Series A Preferred Shares	
	Number of shares	Amount (US\$)	Number of shares	Amount (US\$)	Number of shares	Amount (US\$)	Number of shares	Amount (US\$)	Number of shares	Amount (US\$)
Balances as of December 31, 2017	19,038,000	16,096,784	13,663,700	27,876,810	-	-	-	-	-	-
Accretion on convertible redeemable preferred shares to redemption value - Before Reorganization		1,018,493	-	1,574,737						
*Reorganization - Extinguishment of 8.36% Round A preferred shares and exchanged into Class A Ordinary Shares	(9,519,000)	(8,754,168)	-	-	-	-	-	-	-	-
*Reorganization - Preferred shares exchanged into redeemable non-controlling interests (Note 20)	-	-	(2,846,600)	(6,167,333)	-	-	-	-	-	-
*Reorganization - Extinguishment of Round A and Round B preferred shares	(9,519,000)	(8,361,109)	(10,817,100)	(23,284,214)	9,519,000	19,495,152	10,817,100	26,172,432	-	-
*Reorganization - Subscription receivables								(89,222)		
Issuance of convertible redeemable preferred shares, net of issuance costs	-	-	-	-	-	-	-	-	7,938,915	22,429,967
Accretion on convertible redeemable preferred shares to redemption value - After Reorganization										445,177
Balances as of December 31, 2018	-	-	-	-	9,519,000	19,495,152	10,817,100	26,083,210	7,938,915	22,875,144
*Reorganization - Subscription receivables								89,222		
Accretion on convertible redeemable preferred shares to redemption value - After Reorganization										1,022,461
Conversion of preferred shares to Class A ordinary shares	-	-	-	-	(9,519,000)	(19,495,152)	(10,817,100)	(26,172,432)	(7,938,915)	(23,897,605)
Balances as of December 31, 2019	-	-	-	-	-	-	-	-	-	-

\*These were transactions occurred during the Reorganization process of the Group, details please refer to Note 1(b), Note 19 and Note 20.

20. **Redeemable non-controlling interests and non-controlling interests**

(a) *Redeemable non-controlling interests*

As described in Note 1(b) and Note 19 above, certain Round B Investors who collectively held 2.5% equity interests in ECMOHO Shanghai with preferential rights remained as the shareholders of ECMOHO Shanghai after the completion of the Reorganization.

The 2.5% equity interests in ECMOHO Shanghai held by these Round B Investors are with liquidation preference and also are redeemable at the holders' option under certain events, which are not solely within the control of ECMOHO Shanghai. Accordingly, such 2.5% equity interests in ECMOHO Shanghai are recorded and accounted for as redeemable non-controlling interests outside of permanent equity in the Group's consolidated balance sheets in accordance with ASC 480-10-S99-3A.

Subsequently, the redeemable non-controlling interests should be carried at the higher of (1) the carrying amount after the attribution of net income or loss of ECMOHO Shanghai (2) the expected redemption value. The Group accretes for the difference between the initial carrying value and the ultimate redemption price to the earliest possible redemption date using the effective interest method. The accretion, which increases the carrying value of the redeemable non-controlling interests, is recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in-capital, or in the absence of additional paid-in-capital, by charges to accumulated deficit.

On June 25, 2019, the Group entered into agreements to acquire the 2.5% of the equity interest of ECMOHO Shanghai from its non-controlling shareholders at a total cash consideration of US\$ 5,382,048 (RMB 36,999,967). Out of the total consideration, US\$ 2,215,392 (RMB 15,230,156) is payable within 15 days from the date of the agreement. The remaining US\$ 3,120,583 (RMB 21,769,811) is subject to the following payment terms: 1) if the Company completes an IPO before June 25, 2020, the consideration is payable within 60 days after the IPO; or 2) if the Company does not complete an IPO before June 25, 2020, the consideration is payable in two equal installments in two years after the agreement date plus an interest at an annual rate of eight percent accruing from the date of the agreement.

Upon completion of the above acquisition in June 2019, redeemable non-controlling interests with the carrying amount of US\$ 6,678,219 were derecognized, and differences between the carrying amount and the consideration amounted to US\$ 1,296,171 were charged to additional paid-in capital.

Upon completion of the Company's initial public offering in November 2019, the payment schedule was accelerated. Based on the Group's negotiation with the non-controlling shareholders, payment of the consideration of US\$ 2,215,392 and US\$ 3,120,583 has been fully paid in 2019 and 2020, respectively.



The change in the carrying amount of redeemable non-controlling interests for the years ended December 31, 2018 and 2019 is as follows:

	Redeemable non-controlling interests
	US\$
Beginning Balance at January 1, 2018	-
Preferred shares exchanged into redeemable non-controlling interests	6,167,333
Net income attributable to redeemable non-controlling interests	96,301
Accretion to redemption value of redeemable non-controlling interests	129,896
Ending Balance at December 31, 2018	6,393,530
Net loss attributable to redeemable non-controlling interests	(27,068)
Accretion to redemption value of redeemable non-controlling interests	311,757
Acquisition of redeemable non-controlling interests	(6,678,219)
Ending Balance at December 31, 2019	-

(b) *Non-controlling interests*

Non-controlling interests mainly represent the Group's subsidiary's cumulative results of operations and changes in deficit attributable to non-controlling shareholders.

-Shanghai Jieshi

In 2016, the Group consummated an acquisition of 70% of the equity interest of Shanghai Jieshi. In June 2017, the Group acquired the rest of the 30% equity interest of Shanghai Jieshi with a consideration of RMB 0.3 million (US\$ 48,704). The difference between the consideration and the carrying amount of such non-controlling interests was recorded in accumulated deficit in the amount of US\$ (23,993).

The Group sold 10% of the equity interest to a third-party investor with a consideration of RMB 0.1 million (US\$ 16,235) afterwards in July 2017. The difference between the consideration and the carrying amount of such equity interests was recorded in accumulated deficit in the amount of US\$ 78,404.

In 2018 and 2019, the non-controlling interests shareholder made proportional cash capital injection with the amount of RMB 700,000 (US\$ 104,159) and RMB 200,000 (US\$ 29,196) into Shanghai Jieshi, respectively.

In August 2019, the Group acquired 10% of the equity interest of Shanghai Jieshi with a consideration of RMB 1.2 million (US\$ 170,324). The difference between the consideration and the carrying amount of such non-controlling interests was recorded in additional paid-in-capital in the amount of US\$ (180,784).

In July 2020, the Group disposed its 100% equity interests in Shanghai Jieshi to Xiangui Health Technology in exchange for RMB 1.0 million (approximately US\$ 153,000).

-Xiangui

The Group established Xiangui as a fully owned subsidiary in 2018. The operation of Xiangui was at a very preliminary stage and had immaterial impact to the consolidated financials of the Group's business. In June 2019, the Group, together with certain of its employees made proportional cash injection into Xiangui with the amount of RMB 6 million (US\$ 893,223) and RMB 4 million (US\$ 595,482), respectively, and these employees thereby obtained 40% equity interests of Xiangui while the Group still retained control of Xiangui.

In April 2020, the Group disposed its 60% equity interests to an entity fully owned by the Founders of the Company with the consideration of RMB 3.4 million (approximately US\$ 521,000).

## 21. Ordinary Share

The Company was incorporated as a limited liability company with authorized share capital of US\$50,000 divided into (i) 4,880,496,457 Class A Ordinary Shares of a par value of US\$0.00001 each, (ii) 9,519,000 Class A-1 Ordinary Shares with preferential rights ("Class A-1 preferred shares") of a par value of US\$0.00001 each, (iii) 13,663,700 Class A-2 Ordinary Shares with preferential rights ("Class A-2 preferred shares") of a par value of US\$0.00001 each, (iv) 75,150,400 Class B Ordinary Shares of a par value of US\$0.00001 each and (iii) 21,170,443 Series A Preferred Shares of a par value of US\$0.00001 each.

On August 2, 2018, the Founders subscribed for 9,519,000 Class A Ordinary Shares and 75,150,400 Class B Ordinary Shares of the Company with the cash consideration of US\$ 15,261,676, in the same proportions as the percentage of equity interest they held in ECMOHO Shanghai before the Reorganization. As of December 31, 2018, consideration of US\$6,000,376 has been received, and consideration of US\$ 9,261,300 remained outstanding and was presented as subscriptions receivable, a contra-equity balance on the consolidated balance sheets. The remaining consideration of US\$9,261,300 was fully received in 2019.

As described in Note 1(b) and Note 19, upon the consummation of the above subscription, preferential rights associated with the 8.36% equity interest acquired by the Founders in ECMOHO Shanghai were removed and exchanged into 9,519,000 preferred shares of the Company, which was considered as an extinguishment of the original preferential rights (Note 19). Simultaneously, the Founders converted the preferred shares to exchange 9,519,000 Class A Ordinary Shares of the Company, and sold 8,880,894 Class A Ordinary Shares out of the 9,519,000 shares to third party investors (Note 19).

In September 2018, the Founders established a trust to hold 2,846,600 of the Company's issued Class A Ordinary Shares. These ordinary shares were issued by the Company and held in trust for future potential subscription of new investors based on the discretion of the board of directors of the Company. The ordinary shares issued to the trust are accounted for as treasury shares of the Company and presented as such for all periods presented. In August 2019, all the Class A Ordinary Shares held in trust were cancelled. The trust does not hold any other assets or liabilities as at December 31, 2019, nor earn any income or incur any expenses for the years ended December 31, 2018 and 2019.

In November 2019, the Company completed its initial public offering on the NASDAQ Global Select Market of 4,675,000 American Depositary Shares ("ADS") (including 300,000 ADSs sold upon the exercise of the underwriters' over-allotment option) (every ADS represents four Class A ordinary shares, for a total ordinary shares offering of 18,700,000 shares). The net proceeds raised from the IPO amounted to approximately US\$35.0 million after deducting underwriting discounts and commissions and other offering expenses.

Upon the completion of the IPO, 9,519,000 Class A-1 and 10,817,100 Class A-2 preferred shares were converted and designated as 20,336,100 Class A ordinary shares on a one-for-one basis, and 7,938,915 Series A preferred shares were converted and designated as 8,999,999 Class A ordinary shares on an average basis of 1-for-1.13 due to the adjustment of initial conversion ratio in accordance with the terms of Series A preferred shares.

The Company has a dual class voting structure under which majority of the ordinary shares held by the Founders are designated as Class B Ordinary Shares and all of the other ordinary shares, including the shares held by others shareholders and the conversion of outstanding Preferred Shares, are designated as Class A Ordinary Shares. Each holder of outstanding Class A Ordinary Shares shall be entitled to cast the number of votes equal to the number of whole Class A Ordinary Shares held by such holder and each holder of outstanding Class B Ordinary Shares shall be entitled to cast the number of votes equal to ten times the number of whole Class B Ordinary Shares held by such holder. In May and November 2020, the board of directors approved the conversion of 3,794,784 shares of the Group's Class B Ordinary shares to Class A Ordinary shares on a one-for-one basis for one of the Company's shareholder. As of December 31, 2020, 3,794,784 shares of the Group's Class B Ordinary shares have been converted to Class A Ordinary shares. On October 23, 2020, the board of directors approved the issuance of 2,000,000 additional shares of Class A Ordinary shares to extent the awards in relation to the Restriction Shares Units ("RSUs") granted under 2018 Omnibus Incentive Plan. As of December 31, 2020, 2,000,000 shares of Class A Ordinary shares has been issued and 1,590,650 shares are vested (see Note 24).

22. **Revenues**

The Group's revenues for the respective periods are detailed as follows:

	Year ended December 31,		
	2018	2019	2020
	US\$	US\$	US\$
Product Sales	167,136,099	273,202,495	280,138,505
Product Sales - Consignment arrangement	8,961,638	28,896,028	20,017,020
Services	22,917,299	27,381,393	4,783,240
<b>Total</b>	<b>199,015,036</b>	<b>329,479,916</b>	<b>304,938,765</b>

The Group's breakdown of product sales revenue by product category for the respective periods are detailed as follow:

	Year ended December 31,		
	2018	2019	2020
	US\$	US\$	US\$
Health Supplements and Food	80,317,631	116,975,344	138,269,439
Mother and Child Care Products	69,269,605	131,926,890	118,728,576
Personal Care Products	11,289,494	24,293,333	25,553,477
Others	15,221,007	28,902,946	17,604,033
<b>Total</b>	<b>176,097,737</b>	<b>302,098,523</b>	<b>300,155,525</b>

23. **Finance expense, net**

	Year ended December 31,		
	2018	2019	2020
	US\$	US\$	US\$
Interest expense	(978,477)	(2,605,167)	(2,650,317)
Interest income	52,934	91,320	35,035
<b>Total</b>	<b>(925,543)</b>	<b>(2,513,847)</b>	<b>(2,615,282)</b>

24. **Share-based compensation**

On September 30, 2018, the Company adopted its 2018 Omnibus Incentive Plan (the "2018 Plan"), which permits the grant of restricted shares, restricted share units, options and stock appreciation rights to the employees and directors of the Company. The Company granted share options/restricted shares under the 2018 Plan to its employees and directors. Under the plan, a total of 11,386,410 Class A Ordinary Shares were initially reserved for issuance. The 2018 Plan is valid and effective for a term of 10 years commencing from its adoption.

Under the 2018 Plan, the Company granted 3,971,453, 472,220 and 2,048,991 restricted share units to its employees during the years ended December 31, 2018, 2019 and 2020, respectively. Restricted share units granted to employees are measured based on the grant-date fair value.

Restricted share units granted with service condition are commonly vested over a period of four years of continuous service, one fourth (1/4) of which vest upon the first anniversary of the stated vesting commencement date and the remaining vest ratably over the following 36 months. The Group recognizes respective compensation expense on a straight-line basis over the vesting term of the awards, net of estimated forfeitures.

For restricted share units granted with performance conditions whose vesting is contingent upon meeting company-wide performance goals, respective compensation cost is recognized over the requisite service period using graded-vesting method if it is probable that the performance target will be achieved. The Group will reassess the probability of achieving the performance conditions at each reporting period and record a cumulative catch-up adjustment for any changes to its assessment.

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For restricted share units granted with market condition whose vesting is contingent on the Company's market value exceeding a specific amount, the Group adopted Monte Carlo simulation to determine the fair value while the Company was a private company and requisite service period, respective compensation expense is recognized using the straight-line method over the estimated requisite service period unless the market condition is satisfied before the end of the initially estimated requisite service period. Starting from November 2019, the Group is a publicly traded company with observable price in the stock U.S exchange market to determine the fair value and requisite service period.

Upon completion of the Company's IPO in November 2019, share-based compensation expenses related to the restricted share units granted with performance condition of the occurrence of IPO was recognized immediately with the amount of US\$ 209,764.

The following table summarizes activities of the Company's restricted share units under the 2018 Plan for the years ended December 31, 2018, 2019 and 2020:

	Number of Restricted Share Units Outstanding	Weighted Average Grant Date Fair Value US\$
Unvested at January 1, 2018	-	-
Granted	3,971,453	1.96
Unvested at December 31, 2018	<u>3,971,453</u>	<u>1.96</u>
Granted	472,220	2.64
Vested	(746,660)	1.96
Forfeited	(1,033,446)	2.13
Unvested at December 31, 2019	<u>2,663,567</u>	<u>1.98</u>
Granted	2,048,991	0.40
Vested	(843,990)	1.15
Forfeited	(2,113,283)	1.89
Unvested at December 31, 2020	<u>1,755,285</u>	<u>1.09</u>

As of December 31, 2020, there were US\$ 1,018,864 of unrecognized compensation expenses related to restricted share units granted by the Company to the employees, which were expected to be recognized over 0.75 to 3.33 years.

To the extent the actual forfeiture rate is different from the Company's estimate, the actual share-based compensation related to these awards may be different from the expectation.

Share-based compensation expenses of US\$ 356,549, US\$ 1,575,029 and US\$ 474,559 related to restricted share units granted was recognized for the years ended December 31, 2018, 2019 and 2020.

The fair value of each restricted share units granted with market condition under the Company's 2018 Plan during the year ended December 31, 2018 was estimated on the date of grant using Monte Carlo model with the assumptions (or ranges thereof) in the following table:

	Year ended December 31, 2018
Expected volatility (a)	50.0%
Risk-free interest rate (b)	4.1%
Expected dividend yield (c)	0%
Contractual term	10

Notes:

(a) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.

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- (b) The risk-free interest rate of periods within the contractual life of the share option is based on the market yield of the U.S. treasury bonds with a maturity life equal to the expected life to expiration.
- (c) The Company has no history or expectation of paying dividends on its ordinary shares.

Prior to the listing of the Company's ADSs on the NASDAQ Global Market, determining the fair value of the share options required the Company to make complex and subjective judgments, assumptions and estimates, which involved inherent uncertainty. Had the Company used different assumptions and estimates, the resulting fair value of the restricted share units and the resulting share-based compensation expenses could have been different.

The following table sets forth the fair value of restricted share units and ordinary shares estimated at the date of option grants indicated below:

Date of Grant	Restricted share units granted	Fair value of restricted share units granted with market condition	Fair value of ordinary shares	Discount for Lack of Marketability	Discount Rate	Type of Valuation
September 30, 2018	3,971,453	US\$ 1.66	US\$ 2.06	8%	20%	Contemporaneous
June 30, 2019	472,220	—	US\$ 2.64	4%	20%	Contemporaneous

Prior to the listing of the Company's ADSs on the NASDAQ Global Market, valuations of the Company's ordinary shares were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants' Practice Aid, Valuation of Privately-Held Company Equity Securities Issued as Compensation, and with the assistance of an independent appraisal firm from time to time. The assumptions the Company uses in the valuation model are based on future expectations combined with management judgement, with inputs of numerous objective and subjective factors, including the following:

- the Company's operating and financial performance;
- current business conditions and projections;
- the Company's stage of development;
- the prices, rights, preferences and privileges of the Company's convertible preferred shares relative to its ordinary shares;
- the likelihood of liquidity events or redemption events;
- any adjustment necessary to recognize a lack of marketability for the Company's ordinary shares; and
- the market performance of industry peers.

In order to determine the fair value of the Company's ordinary shares underlying each share-based award grant, the Company first determined its business enterprise value, or BEV, and then allocated the BEV to each element of its capital structure (convertible redeemable preferred shares and ordinary shares) using a hybrid method comprising the probability-weighted expected return method and the option pricing method. In the Company's case, three scenarios were assumed, namely: (i) the liquidation scenario, in which the option pricing method was adopted to allocate the value between convertible preferred shares and ordinary shares, and (ii) the redemption scenario, in which the option pricing method was adopted to allocate the value between convertible preferred shares and ordinary shares, and (iii) the mandatory conversion scenario, in which equity value was allocated to convertible preferred shares and ordinary shares on an as-if converted basis. Increasing probability was assigned to the mandatory conversion scenario during 2017 and 2018 in light of preparations for the Company's initial public offering.

In determining the fair value of its BEV, the Company applied the income approach/discounted cash flow, or DCF, analysis based on its projected cash flow using management's best estimate as of the valuation date. The determination of the fair value of its ordinary shares requires complex and subjective judgments to be made regarding its projected financial and operating results, its unique business risks, the liquidity of its shares and its operating history and prospects at the time of valuation.

The fair values of restricted share units are determined based on the fair value of the Company's ordinary shares and BEV. As a measure of sensitivity, for every 1% increase of BEV over management's estimates as of the grant date of the restricted share units, share based compensation expenses recognized in the year ended 2018 and 2019 would be US\$3.6 thousand and US\$15.8 thousand higher, respectively.

**25. Employee benefits**

The full-time employees of the Company's subsidiaries and VIEs that are incorporated in the PRC are entitled to staff welfare benefits including medical insurance, basic pensions, unemployment insurance, work injury insurance, maternity insurance and housing funds. These companies are required to contribute to these benefits based on certain percentages of the employees' salaries in accordance with the relevant regulations and charge the amount contributed to these benefits to the consolidated statements of operations and comprehensive income/(loss). The total amounts charged to the consolidated statements of operations and comprehensive income/(loss) for such employee benefits amounted to US\$1,767,987, US\$3,080,729 and US\$ 1,286,783 for the years ended December 31, 2018, 2019 and 2020, respectively. The PRC government is responsible for the welfare and medical benefits and ultimate pension liability to these employees.

**26. Income Taxes**

(a) Cayman Islands

Under the current tax laws of Cayman Islands, the Company is not subject to income, corporation or capital gains tax, and no withholding tax is imposed upon the payment of dividends.

(b) Hong Kong Profits Tax

Before the year of 2019, the Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong profit tax at the rate of 16.5%. Effective since the year of 2019, the applicable income tax rate was changed to 8.25% for profit of up to HK\$2.0 million and 16.5% for the remainder of taxable income. Dividends income received from subsidiaries in China are not subject to Hong Kong profits tax.

(c) PRC Enterprise Income Tax ("EIT")

On March 16, 2007, the National People's Congress of the PRC enacted an Enterprise Income Tax Law ("EIT Law"), under which Foreign Investment Enterprises ("FIEs") and domestic companies would be subject to EIT at a uniform rate of 25%. The EIT law became effective on January 1, 2008.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located."

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by a FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% if the immediate holding company in Hong Kong owns directly at least 25% of the shares of the FIE and could be recognized as a Beneficial Owner of the dividend from PRC tax perspective.

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A reconciliation between the effective income tax rate and the PRC statutory income tax rate is as follows:

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
PRC statutory income tax rates	25.00%	25.00%	25.00%
Change in valuation allowance	(15.08%)	86.99%	(0.50%)
Effect of permanent differences	2.55%	25.70%	(11.31%)**
Additional tax deduction for qualified research and development expenses	(2.68%)	(10.84%)	(6.33%)
Effect of tax holiday*	-	(115.48)%	(8.51%)
Difference in tax rate of subsidiaries outside the PRC	(3.44%)	(0.06%)	1.60%
<b>Total</b>	<b>6.35%</b>	<b>11.43%</b>	<b>(0.05%)</b>

\*Yi Ling (Shanghai) Information Technology Co., Limited, fully owned subsidiary of the Group, obtained its software enterprise certificate in June 2019 for 1 year and in October 2020 for another 1 year and is entitled to two years tax exemption from Corporate Income Tax ("CIT") for the years of 2019 and 2020 and a 50% CIT reduction for the succeeding three years thereafter.

\*\* For the year ended December 31, 2020, 3.52% represents shares-based compensation not deductible in the PRC returns, 7.79% represents the Company's Cayman Island operating expenses not deductible in the PRC returns and other non-taxable and deductible items such as meal and entertainment expenses.

*Composition of income tax expense*

The current and deferred portions of income tax expense included in the consolidated statements of operations and comprehensive income/(loss) are as follows:

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	US\$	US\$	US\$
Current income tax expense	1,503,504	56,898	78
Deferred tax expense/(benefit)	(1,086,380)	192,741	(6,582)
<b>Income tax expense/(benefit), net</b>	<b>417,124</b>	<b>249,639</b>	<b>(6,504)</b>

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*Deferred tax assets and liabilities*

Deferred taxes were measured using the enacted tax rates for the periods in which they are expected to be reversed. The tax effects of temporary differences that give rise to the deferred tax asset balances as of December 31, 2019 and 2020 are as follows:

	Year Ended December 31,	
	2019 US\$	2020 US\$
<b>Deferred tax assets:</b>		
Tax loss carry-forwards	3,706,113	3,661,528
Inventory provision	66,042	81,944
Allowance for doubtful accounts	46,883	50,503
Unrealized Profit	6,473	6,920
Other deductible temporary difference	2,112	—
<b>Total deferred tax assets</b>	<b>3,827,623</b>	<b>3,800,895</b>
Less: Valuation allowance	(3,039,926)	(2,971,506)
<b>Net deferred tax assets</b>	<b>787,697</b>	<b>829,389</b>
<b>Deferred tax liabilities:</b>		
Recognition of intangible assets arising from asset acquisition and business combination	(138,406)	(24,684)
<b>Net deferred tax liabilities</b>	<b>(138,406)</b>	<b>(24,684)</b>

As of December 31, 2019 and 2020, the PRC entities of the Group had tax loss carryforwards of approximately US\$ 3,706,113 and US\$3,661,528, respectively, which can be carried forward to offset taxable income. The carryforwards period for net operating losses under the EIT Law is five years. The net operating loss carry forward of the Group will expire in varying amounts between 2021 and 2025. Other than the expiration, there are no other limitations or restrictions upon the Group's ability to use these operating loss carryforwards. There is no expiration for the advertising expenses carryforwards.

Valuation allowance is provided against deferred tax assets when the Group determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Group considered factors including future taxable income exclusive of reversing temporary differences and tax loss carry forwards. If events occur in the future that allow the Group to realize part or all of its deferred income tax, an adjustment to the valuation allowances will result in a decrease in tax expense when those events occur.

As of December 31, 2019 and 2020, valuation allowances of US\$ 3,039,926 and US\$2,971,506 were provided because it was more likely than not that the Group will not be able to utilize certain tax losses carry forwards and other deferred tax assets generated by its subsidiaries and VIEs.

*Movement of valuation allowance is as follows:*

	Year Ended December 31,		
	2018 US\$	2019 US\$	2020 US\$
Beginning balance	2,129,655	1,139,566	3,039,926
Current year additions	423,742	2,108,356	3,929,241
Reversal of valuation allowances	(1,413,831)	(207,996)	(3,997,661)
Ending balance	1,139,566	3,039,926	2,971,506

Valuation allowances were reversed by US\$1,413,831 in the year ended December 31, 2018 attributable to a certain domestic subsidiary of the Group that has been profitable during the recent two consecutive years and expects to generate sufficient future taxable income which is more likely than not to utilize its deferred tax assets.



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Increase of the valuation allowance in the year ended December 31, 2019 was mainly due to certain of the Group's start-up PRC subsidiaries experienced losses at their preliminary stage of business and full valuation allowances were provided against their deferred tax assets, mainly related to loss carry forwards.

Reversal of valuation allowances in the year ended December 31, 2020 was due to the Group disposed four PRC subsidiaries in the year of 2020 and such valuation allowances relating to these subsidiaries were fully deconsolidated. The additions in valuation allowances was due to the Group's PRC subsidiaries experienced losses as COVID-19-related disruptions have had an adverse impact on the Group's results of operations.

**27. Related Party transactions**

Transactions with related parties and balances amount due to related parties were as follows:

	<b>Year Ended December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Transaction with related parties</b>			
Repayment of advances to related parties (i)	(2,474,371)	(10,593,662)	(5,214,261)
Proceeds of advances from related parties (i)	8,964,847	9,436,151	3,409,587
Proceeds of borrowings from related parties (ii)	3,000,000	6,000,000	10,000,000
Repayment of borrowings from related parties(ii)	-	(2,000,000)	(10,600,000)
Reimbursement to related parties	201,907	331,956	292,736
Acquisition of equity interests of ECMOHO Shanghai for Reorganization purpose (Note 1(b))	(18,737,426)	-	-
Subscription fees from the Founders of ECMOHO Shanghai for Reorganization purpose (Note 1(b))	15,261,676	-	-
Proceeds from sale of equity interests in subsidiaries (Note 3)	-	-	710,392
Sale consideration from sale of equity interests in a subsidiary offset with amounts due to related parties (Note 3)	-	-	652,401
Gain from sale of equity interests in subsidiaries to related parties recognized to additional paid-in capital (Note 3)	-	-	1,950,871
		<b>As of December 31,</b>	
		<b>2019</b>	<b>2020</b>
		<b>US\$</b>	<b>US\$</b>
<b>Balance amount with related parties</b>			
Payable due to related parties (i)		(5,511,642)	(708)
Borrowings and interests due to related parties (ii)		(10,721,819)	(9,400,000)

(i) The Group drawn down interest free advances from Founders, members of Founders immediate families and special purpose vehicles controlled by the Founders and Shareholders during the periods presented. As of December 31, 2019 and 2020, payables due to these related parties amounted to US\$ 5,511,642 and US\$ 708, respectively.

(ii) On September 18 and October 17, 2017, April 11, 2018 and November 12, 2019, the Group entered into loan agreements with a fully owned subsidiary of one of the investors of Class A-2 (Round B) preferred shares, who became Class A ordinary shareholder, Techlong International Investment Limited, after the Company's IPO in November 2019, with the principle amount of US\$ 1,500,000, US\$ 1,500,000, US\$ 3,000,000 and US\$ 2,000,000 and interest rate of 6.00%, 6.00%, 6.00% and 8.00%, respectively, prior to 2020. Starting from 2020, interest rate for loans aforementioned were all 8% per annum. Such borrowings shall be repaid upon the lender's request. In May 2020, the Group entered into supplementary loan agreements with a fully owned subsidiary of one of its Class A ordinary shareholders, pursuant to which the borrower agreed to, with respect to its existing loans to the Group with the principle amount of US\$ 8,000,000, waive certain interests thereon and adjust the repayment schedule. In addition, Mr. Leo Zeng has agreed to enter into certain amended loan agreements with the shareholder in respect of 4,000,000 Class B ordinary shares to guarantee the Group's payment obligations under the loan agreements. As of December 31, 2019 and 2020, payables due to the related party amounted to US\$ 8,721,819 and US\$ 7,400,000, respectively.

ECMOHO LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On December 26, 2019, the Group entered into loan agreements with the fully owned subsidiary of one of Class A ordinary shareholders, Delta Capital Growth Fund II, L.P. with the principle amount of US\$ 2,000,000 and interest rate of 10.00%, and such borrowing has been repaid subsequently on February 21, 2020. The Group re-entered such loan agreement on November 10, 2020 with the same term of principle amount and interest rate.

**28. Basic and diluted net earnings/(loss) per share**

Basic earnings/(loss) per share and diluted earnings/(loss) per share have been calculated in accordance with ASC 260 on computation of earnings per share for the years ended December 31, 2018, 2019 and 2020 as follows:

	Year Ended December 31,		
	2018	2019	2020
<b>Numerator:</b>			
Net income/(loss) attributable to ECMOHO Limited	6,123,990	2,296,555	(13,298,912)
Accretion on convertible redeemable preferred shares to redemption value (Note 19)	(3,038,407)	(1,022,461)	-
Accretion to redemption value of redeemable non-controlling interests (Note 20)	(129,896)	(311,757)	-
Extinguishment of convertible redeemable preferred shares (Note 19)	(24,763,245)	-	-
<b>Net income/(loss) attributable to ordinary shareholders-Basic</b>	<b>(21,807,558)</b>	<b>962,337</b>	<b>(13,298,912)</b>
<b>Net income/(loss) attributable to ordinary shareholders-Diluted</b>	<b>(21,807,558)</b>	<b>962,337</b>	<b>(13,298,912)</b>
<b>Denominator:</b>			
<b>Denominator for basic (loss)/earnings per share weighted-average ordinary shares outstanding</b>	<b>84,970,000</b>	<b>98,104,216</b>	<b>139,619,496</b>
Dilutive impact of Class A-1 preferred shares conversion	-	7,954,232	-
Dilutive impact of Class A-2 preferred shares conversion	-	9,038,947	-
Dilutive impact of restricted share units	-	547,469	-
<b>Denominator for dilutive earnings/(loss) per share weighted-average ordinary shares outstanding</b>	<b>84,970,000</b>	<b>115,644,864</b>	<b>139,619,496</b>
<b>Basic earnings/(loss) per ordinary share:</b>	<b>(0.26)</b>	<b>0.01</b>	<b>(0.10)</b>
<b>Diluted earnings/(loss) per ordinary share:</b>	<b>(0.26)</b>	<b>0.01</b>	<b>(0.10)</b>
<b>Denominator:</b>			
<b>Denominator for basic earnings/(loss) per ADS weighted-average ADS outstanding</b>	<b>21,242,500</b>	<b>24,526,054</b>	<b>34,904,874</b>
<b>Denominator for dilutive earnings/(loss) per share weighted-average ADS outstanding</b>	<b>21,242,500</b>	<b>28,911,216</b>	<b>34,904,874</b>
<b>Basic earnings/(loss) per ADS:</b>	<b>(1.03)</b>	<b>0.04</b>	<b>(0.38)</b>
<b>Diluted earnings/(loss) per ADS:</b>	<b>(1.03)</b>	<b>0.03</b>	<b>(0.38)</b>

Note:

- (1) Vested but unregistered restricted share units are included in the denominator of basic earnings/(loss) per share calculation once there were no further vesting conditions or contingencies associated with them, as they are considered contingently issuable shares. Accordingly, the weighted average number of shares of nil, 164,279 (41,070 ADSs) and 901,997 (225,499 ADSs) related to these restricted share units are included in the denominator for the computation of basic EPS for the years ended December 31, 2018, 2019 and 2020, respectively.

For the years ended December 31, 2018, assumed conversion of the Preferred Shares have not been reflected in the dilutive calculations pursuant to ASC 260, "Earnings Per Share," due to the anti-dilutive effect.

For the year ended December 31, 2019, assumed conversion of the Series A Preferred Shares have not been reflected in the dilutive calculations pursuant to ASC 260, "Earnings Per Share," due to the anti-dilutive effect.

For the year ended December 31, 2018, the Company also had potential ordinary shares related to its granted restricted share units, which were anti-dilutive and excluded from the dilutive calculations.

The following ordinary shares equivalent were excluded from the computation of diluted net earnings/(loss) per ordinary share for the periods presented because including them would have had an anti-dilutive effect:

	Year Ended December 31,		
	2018	2019	2020
Preferred shares — weighted average	30,265,462	6,633,889	—
Restricted share units — weighted average	95,446	—	671,551

**29. Commitments and contingencies**

**(a) Purchase commitments**

As of December 31, 2019 and 2020, no purchase commitments was related to the products procurement from third party brand partners.

**(b) Capital Commitments**

As of December 31, 2019 and 2020, no capital commitments was related to leasehold improvement and purchase of equipment.

**(c) Litigation**

In March 2016, the Group entered into a cooperation framework agreement to establish a joint venture with several joint venture partners. As part of the agreement, the joint venture partners agreed to contribute their ownership in certain brands to the joint venture. However, only a portion of such trademarks have been transferred to the Group. In October 2018, the Group filed a civil claim against the joint venture partners in the Shanghai Xuhui People's Court to enforce the transfer of the remaining trademarks, claim damages amounting to RMB7.19 million (US\$1.05 million) and request that the joint venture partners be enjoined from using the brand name "Heng Shou Tang" in all categories. On January 10, 2019, the joint venture partners filed a counterclaim to rescind the agreement and allege damages amounting to RMB3.25 million (US\$ 0.47 million).

In July 2019, the Shanghai Xuhui People's Court ruled that the Group shall pay damages in the amount of RMB3.25 million (US\$0.47 million) to the joint venture partners for breaching its contractual obligation to contribute capital to the joint venture, and that the joint venture partners shall continue to perform their contractual obligations by transferring the remaining trademarks to the joint venture and cease to use the brand name "Heng Shou Tang" in all categories. Both the Group and the joint venture partners have appealed against this ruling with the Shanghai First Intermediate People's Court. Despite the appeal filed by the Group, as of June 30, 2019, the Group made a provision of RMB3.25 million (US\$ 0.47 million), representing the entire amount awarded to the joint venture partners by the ruling from the Court.

In November 2019, the Shanghai First Intermediate People's Court delivered its judgment, which provides, amongst other matters, that the Group shall not pay damages to the joint venture partners and the joint venture partners shall continue to perform their contractual obligations by transferring the remaining trademarks to the joint venture. Pursuant to the final judgement, the Group reversed the above provision as of December 31, 2019.

**(d) Impact of COVID-19**

The ongoing outbreak of the novel coronavirus (COVID-19) has spread rapidly to many parts of the world. In March 2020, the World Health Organization declared the COVID-19 as a pandemic. The Group's operations and financial performance have been affected by significant increases in international freight costs in light of the COVID-19 pandemic and such increases have had an impact on the Group's fulfillment expenses. In addition, during the first quarter of calendar year 2020 some of the Group's third-party business partners in China, in particular domestic logistics and transport services providers, experienced temporary shut-downs or worker absenteeism and were unable to meet their obligations to the Group. This has had an adverse impact on the Group's ability to promptly provide its customers with the products they purchased, which, in turn, had affected the Group's financial performance with overall revenues decrease by approximately US\$ 24.5 million for the year ended December 31, 2020 as compared to 2019. However, most parts of China was re-opened in April 2020 and the government has consistently monitor the situation and only have very limited restriction on high-risk city or provinces throughout 2020. As a result, the Group did not expect that the COVID-19 will continue to have negative effect of the Group in 2021. Potential impact to the Group's results of operations for 2021 will also depend on economic impact due to the pandemic and if any future resurgence of the virus, which are beyond the Group's control. There is no guarantee that the Group's revenues will grow or remain at a similar level year over year in 2021.

**30. Subsequent events**

In January 2021, the Group formed three joint-ventures on which the Group owned 51% equity interest of these joint-ventures in Hong Kong, May Sky (Hong Kong) Health Management Co., Ltd., Y Tech (Hong Kong) Health Technology Limited and ECMOHO (Hong Kong) International Trade Company Ltd., which mainly engage in products sales business.

In January 2021, the Group formed three joint-ventures on which the Group owned 51% equity interest of these joint-ventures in PRC, Shanghai Ranyi Information Technology Co., Ltd., Shanghai Yiyao Information Technology Co., Ltd. and Shanghai Kangyao Information Technology Co., Ltd., with each of register capital of approximately US\$ 0.2 million. These 51% owned subsidiaries were set up to support products sales business in the PRC.

In January 2021, the Group established a wholly owned subsidiaries of Wuhu Hengchang Supply Chain Management Co., Ltd. in PRC, which mainly engages in providing storage services.

In January 2021, the Group entered into a supplementary loan agreement with Delta Capital Growth Fund II, L.P, the Group's related party who is a fully owned subsidiary of one of its Class A ordinary shareholders, pursuant to which the borrower agreed to, with respect to its existing loans to the Group with the principle amount of US\$2,000,000 to be due on March 5, 2021 with an annual interest rate of 10.0%. In March 5, 2021, the loan is extended to May 8, 2021 with the same term.

In February 2021, the Group entered into a supplementary loan agreement with Techlong International Investments Limited, a company under the common control with CID Greater China Fund V, L.P, pursuant to which the borrower agreed to, with respect to its existing loans to the Group, extend to the Group an additional principal amount of US\$1,000,000 to be due on May 31, 2021 with an annual interest rate of 8.0%.

In February 2021, the Company issued 4,000,000 Class A Ordinary Shares to extent the awards in relation to the RSUs granted under 2018 Omnibus Incentive Plan.

**31. Restricted net assets**

Relevant PRC laws and regulations permit payments of dividends by the Group's subsidiary and the VIEs incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Group's subsidiary and the VIEs in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group's subsidiary and the VIE subsidiary incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances. There are no significant differences between US GAAP and PRC accounting standards in connection with the reported net assets of the legally owned subsidiary in the PRC and the VIEs. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to the Company's shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiary and the VIEs to satisfy any obligations of the Company.

As of December 31, 2019 and 2020, the total restricted net assets of the Company's subsidiaries and VIEs incorporated in PRC and subjected to restriction amounted to approximately US\$ 34,626,132 and US\$ 24,762,927, respectively. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to its shareholders. There is no other restriction on the use of proceeds generated by the Company's subsidiaries, VIEs and VIE subsidiary to satisfy any obligations of the Company.

**ADDITIONAL INFORMATION: CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY**

Rules 12-04(a) and 4-08(e)(3) of Regulation S-X require condensed financial information as to the financial position, cash flows and results of operations of a parent company as of and for the same periods for which the audited consolidated financial statements have been presented when the restricted net assets of the consolidated and unconsolidated subsidiaries together exceed 25% of consolidated net assets as of the end of the most recently completed fiscal year.

The following condensed financial statements of the Parent Company have been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the Parent Company used the equity method to account for its investment in its subsidiaries and VIEs. Such investment is presented on the separate condensed balance sheets of the Parent Company as "Investments in and advances to subsidiaries, VIEs and VIE's subsidiary". The Parent Company, its subsidiaries and VIEs were included in the consolidated financial statements whereby the inter-company balances and transactions were eliminated upon consolidation. The Parent Company's share of income from its subsidiaries and VIEs is reported as share of income from subsidiaries and VIEs in the condensed financial statements.

The Parent Company is a Cayman Islands company and, therefore, is not subjected to income taxes for all years presented. The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

As of December 31, 2020, there were no material commitments or contingencies, significant provisions for long-term obligations or guarantees of the Company, except for those which have been separately disclosed in the consolidated financial statements, if any.

CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

BALANCE SHEETS

	As of December 31, 2019 US\$	As of December 31, 2020 US\$
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	43,806,283	37,473,282
Prepayments and other current assets	-	39,954,153
<b>Total current assets</b>	<b>43,806,283</b>	<b>77,427,435</b>
Investments in subsidiaries, VIEs and VIEs' subsidiary	50,520,768	10,671,658
<b>Total assets</b>	<b>94,327,051</b>	<b>88,099,093</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accrued expenses and other current liabilities	6,178,925	4,441,419
Amounts due to related parties	4,023,233	3,850,000
<b>Total liabilities</b>	<b>10,202,158</b>	<b>8,291,419</b>
<b>Commitments and contingencies (Note 29)</b>		
<b>Shareholders' equity:</b>		
Class A Ordinary Shares, US\$ 0.00001 par value; 4,880,496,457 shares authorized at December 31, 2019 and December 31, 2020; 63,567,099 and 69,361,883 shares issued at December 31, 2019 and December 31, 2020, respectively; 63,567,099 and 69,361,883 shares outstanding at December 31, 2019 and December 31, 2020, respectively)	635	693
Class B Ordinary Shares, US\$ 0.00001 par value; 75,150,400 and 71,355,616 shares authorized, issued and outstanding at December 31, 2019 and December 31, 2020, respectively)	752	714
Additional paid-in capital	105,944,278	108,369,688
Accumulated other comprehensive (loss)/income	(2,264,635)	4,291,628
Accumulated deficit	(19,556,137)	(32,855,049)
<b>Total shareholders' equity</b>	<b>84,124,893</b>	<b>79,807,674</b>
<b>Total liabilities and shareholders' equity</b>	<b>94,327,051</b>	<b>88,099,093</b>

CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)

	Year Ended December 31,		
	2018 US\$	2019 US\$	2020 US\$
<b>Operating expenses:</b>			
Fulfillment expenses	—	—	(40,898)
Sales and marketing	—	—	(192,685)
General and administrative	(521,616)	(616,906)	(1,538,732)
Research and development	—	—	(28,740)
<b>Total operating expenses</b>	<b>(521,616)</b>	<b>(616,906)</b>	<b>(1,801,055)</b>
<b>Loss from operations</b>	<b>(521,616)</b>	<b>(616,906)</b>	<b>(1,801,055)</b>
Finance expense, net	—	—	(264,176)
Foreign exchange gain, net	—	—	103,132
Equity in income(loss) of subsidiaries and VIEs	6,515,710	2,601,704	(11,336,812)
<b>Net income/(loss)</b>	<b>5,994,094</b>	<b>1,984,798</b>	<b>(13,298,912)</b>
Less: Accretion on Round A convertible redeemable preferred shares to redemption value	(1,018,493)	—	—
Less: Accretion on Round B convertible redeemable preferred shares to redemption value	(1,574,737)	—	—
Less: Accretion on Series A convertible redeemable preferred shares to redemption value	(445,177)	(1,022,461)	—
Less: Extinguishment of convertible redeemable preferred shares (Note 19)	(24,763,245)	—	—
<b>Net income/(loss) attributable to ordinary shareholders</b>	<b>(21,807,558)</b>	<b>962,337</b>	<b>(13,298,912)</b>
<b>Net income/(loss)</b>	<b>59,994,094</b>	<b>1,984,798</b>	<b>(13,298,912)</b>
Foreign currency translation adjustment, net of nil tax	(670,073)	(844,266)	6,302,263
<b>Comprehensive income/(loss)</b>	<b>5,324,021</b>	<b>1,140,532</b>	<b>(6,996,649)</b>

Note: In the Company's statements of operations and comprehensive income/(loss) for the years ended December 31, 2018, 2019 and 2020, accretion to redemption value of redeemable non-controlling interests amounted to US\$ 129,896, US\$ 311,757 and US\$ 0 were treated as the subsidiary's cost and accordingly were included in the equity in income of subsidiaries and VIEs in the Company's statements of operations and comprehensive income/(loss) for the years ended December 31, 2018, 2019 and 2020, respectively.

STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2018 US\$	2019 US\$	2020 US\$
Net cash used in operating activities	(165,067)	(567,446)	(8,381,595)
Net cash used in investing activities	(31,816,817)	(10,502,538)	—
Net cash provided by financing activities	31,985,825	54,872,326	80,767
Net increase/(decrease) in cash and cash equivalents	3,941	43,802,342	(8,300,828)
Cash and cash equivalents, beginning of year	—	3,941	43,806,283
Cash and cash equivalents, end of year	3,941	43,806,283	37,473,282

## Shanghai Jieshi Technology Co., Ltd.

### Equity Transfer Agreement

This Equity Transfer Agreement (hereinafter referred to as "**this Agreement**") is signed on July 9, 2020 (hereinafter referred to as "**signing date**") in Shanghai by and between the following parties:

- (1) Yijiasancan (Shanghai) E-commerce Co., Ltd., a limited liability company established and existing under Chinese laws, domiciled at Room 368, Section 302, No. 211, North Fute Road, China (Shanghai) Pilot Free Trade Zone (hereinafter referred to as "**transferor**");
- (2) Shanghai Xianggui Health Technology Co., Ltd., a limited liability company established and existing under Chinese laws, domiciled at Floor 1-2, Building 4, No. 1628, Lizheng Road, Lingang New Area, China (Shanghai) Pilot Free Trade Zone (hereinafter referred to as "**transferee**").

The transferor and the transferee are separately referred to as "one party" and collectively referred to as "both parties" in this Agreement.

#### Whereas,

- (A) Shanghai Jieshi Technology Co., Ltd. (hereinafter referred to as the "**target company**") is a legally established and validly existing limited liability company in China; as of the signing date, the registered capital of the target company is RMB 10 million, where the transferor contributes RMB 10 million, accounting for 100% of the total registered capital of the target company;
- (B) Subject to the terms and conditions of this Agreement, the transferor intends to sell to the transferee and the transferee intends to purchase from the transferor certain equity of the target company (hereinafter referred to as the "**equity transfer**").

**Now**, therefore, according to the applicable laws and regulations, the parties hereto have concluded the following terms and conditions through amicable negotiation:

#### Article 1 Definitions

Unless otherwise stipulated in the context, the following terms used herein shall have the following meanings:

1. "**Affiliate**" with respect to a person, (i) refers to any other persons directly or indirectly controlling such person, or controlled by such person or jointly controlled by such person if such person is not a natural person; and (ii) refers to any other persons directly or indirectly controlled by such person or being the immediate relatives of such person

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if such person is a natural person. For the avoidance of doubt, the "immediate relatives" of a natural person refers to the person's spouse, and any parents, grandparents, children, grandchildren, and siblings of such person or his/her spouse.

2. "Control" refers to the power to directly or indirectly decide or lead to the decision of a person's management and decision-making (whether through equity, partnership or other ownership rights or contracts).
3. "Person" refers to a natural person, a company, a government agency, a joint venture, a partnership company, partnership, association, or other entities.

#### Article 2 Subject and Price of Equity Transfer

1. Subject to the terms and conditions of this Agreement, the transferor agrees to sell to the transferee and the transferee agrees to purchase from the transferor 100% of the equity of the target company (corresponding to the registered capital RMB 10 million of the target company) and all its accompanying rights and interests (hereinafter referred to as "subject equity").
2. Subject to the terms and conditions of this Agreement, the transferee shall pay the transferor a total amount of RMB 1 million (hereinafter referred to as the "transfer price") and perform its obligations under this Agreement as the full consideration of the subject equity.
3. The transferee shall pay the transfer price to the transferor in full within six months after signing of this Agreement.

#### Article 3 Undertakings and Warranties

The transferor shall warrant that the subject equity is legally owned by the transferor, and the transferor possesses the full and effective disposition right thereto. The transferor shall warrant that the subject equity has no pledge or other security rights, and is free from claim from any third party.

#### Article 4 Rights and Obligations of Both Parties

1. Both parties shall cooperate in the registration of industrial and commercial changes involved in this equity transfer.
2. The transferee must pay the transfer price in time according to this Agreement.

#### Article 5 Special Provisions

1. If the target company needs to purchase any commodities, the transferee shall ensure that the target company will give priority to the transferor and its affiliate to purchase commodities under the same conditions.

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- Both parties have unanimously confirmed and agreed that from July 1, 2020, any profit or loss incurred by the target company shall be borne by the transferee in accordance with the law in proportion to its shareholding, and any profit, loss or claim and debt incurred by the target company shall be unrelated to the transferor.

#### Article 6 Cancellation and Termination of Agreement

This Agreement may be cancelled or terminated with a written cancellation or termination agreement by and between the parties in case of any of the following circumstances:

- This Agreement cannot be performed due to force majeure or an external reason not caused by mistake of one party but out of control;
- One party loses the actual performance capability;
- The breach of one party or both parties seriously affects the economic interests of the non-breaching party and makes the performance of this Agreement unnecessary;
- The parties agree to cancel or terminate this Agreement after negotiation because of change of circumstance.

#### Article 7 Responsibility for Breach

If this Agreement cannot be performed or cannot be completely performed due to the breach of one party, the breaching party shall bear the responsibility for breach; if both parties are in breach, both parties shall bear their respective responsibility for breach based on the actual situation.

#### Article 8 Governing Law and Dispute Resolution

- This Agreement shall be governed and constructed according to the applicable laws of the People's Republic of China.
- Any dispute arising from or in connection with this Agreement shall be resolved by both parties through friendly negotiation. If negotiation fails, such dispute shall be submitted to Shanghai Arbitration Commission for arbitration in Shanghai.

#### Article 9 Miscellaneous

- This Agreement is made in quadruplicate, with each party hereto holding one copy and the target company holding two copies for handling of the relevant procedures.
- This Agreement shall come into effect after the signature of both parties.

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Transferee:

**Shanghai Xianggui Health Technology Co., Ltd.**

(Seal)

Signature: /s/ Zeng Qingchun

Name: Zeng Qingchun

Title: Legal representative

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Transferor:

**Yijiasancan (Shanghai) E-commerce Co., Ltd.**

(Seal)

Signature: /s/ Wang Wei

Name: Wang Wei

Title: Legal representative

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# Shanghai Hengshoutang Health Technology Co., Ltd.

## Equity Transfer Agreement

This Equity Transfer Agreement (hereinafter referred to as "**this Agreement**") is signed on October 28, 2020 (hereinafter referred to as "**signing date**") in Shanghai by and between the following parties:

- (1) Yijiasancan (Shanghai) E-commerce Co., Ltd., a limited liability company established and existing under Chinese laws, domiciled at Room 368, Section 302, No. 211, North Fute Road, China (Shanghai) Pilot Free Trade Zone (hereinafter referred to as "**transferor**");
- (2) Shanghai Xianggui Health Technology Co., Ltd., a limited liability company established and existing under Chinese laws, domiciled at Floor 1-2, Building 4, No. 1628, Lizheng Road, Lingang New Area, China (Shanghai) Pilot Free Trade Zone (hereinafter referred to as "**transferee**").

The transferor and the transferee are separately referred to as "**one party**" and collectively referred to as "**both parties**" in this Agreement.

### Whereas,

- (A) Shanghai Hengshoutang Health Technology Co., Ltd. (hereinafter referred to as the "**target company**") is a legally established and validly existing limited liability company in China; as of the signing date, the registered capital of the target company is RMB 10 million, where the transferor contributes RMB 7 million, accounting for 70% of the total registered capital of the target company;
- (B) Subject to the terms and conditions of this Agreement, the transferor intends to sell to the transferee and the transferee intends to purchase from the transferor certain equity of the target company (hereinafter referred to as the "**equity transfer**").

**Now**, therefore, according to the applicable laws and regulations, the parties hereto have concluded the following terms and conditions through amicable negotiation:

### Article 1 Definitions

Unless otherwise stipulated in the context, the following terms used herein shall have the following meanings:

1. "**Affiliate**" with respect to a person, (i) refers to any other persons directly or indirectly controlling such person, or controlled by such person or jointly controlled by such person if such person is not a natural person; and (ii) refers to any other persons directly or indirectly controlled by such person or being the immediate relatives of such person if such person is a natural person. For the avoidance of doubt, the "immediate relatives" of a natural person refers to the person's spouse, and any parents, grandparents, children, grandchildren, and siblings of such person or his/her spouse.
  2. "**Control**" refers to the power to directly or indirectly decide or lead to the decision of a person's management and decision-making (whether through equity, partnership, or other ownership rights, contracts, or others).
-

3. "Person" refers to a natural person, a company, a government agency, a joint venture, a partnership company, partnership, association, or other entities.

#### **Article 2 Subject and Price of Equity Transfer**

1. Subject to the terms and conditions of this Agreement, the transferor agrees to sell to the transferee and the transferee agrees to purchase from the transferor 70% of the equity of the target company (corresponding to the registered capital RMB 7 million of the target company) and all its accompanying rights and interests (hereinafter referred to as "**subject equity**").
2. Subject to the terms and conditions of this Agreement, the transferee shall pay the transferor a total amount of RMB 5 million (hereinafter referred to as the "**transfer price**") and perform its obligations under this Agreement as the full consideration of the subject equity.
3. The transferee shall pay the transfer price to the transferor in full within six months after signing of this Agreement.

#### **Article 3 Undertakings and Warranties**

The transferor shall warrant that the subject equity is legally owned by the transferor, and the transferor possesses the full and effective disposition right thereto. The transferor shall warrant that the subject equity has no pledge or other security rights, and is free from claim from any third party.

#### **Article 4 Rights and Obligations of Both Parties**

1. Both parties shall cooperate in the registration of industrial and commercial changes involved in this equity transfer.
2. The transferee must pay the transfer price in time according to this Agreement.

#### **Article 5 Special Provisions**

1. If the target company needs to purchase any commodities, the transferee shall ensure that the target company will give priority to the transferor and its affiliate to purchase commodities under the same conditions.
  2. The transferee undertakes that before the expiration of the corresponding contract period, it shall not actively require the target company to terminate the technology contract it has signed before the equity transfer or cancel its cooperation with the original supplier.
  3. Both parties have unanimously confirmed and agreed that from July 1, 2020, any profit or loss incurred by the target company shall be borne by the transferee in accordance with the law in proportion to its shareholding, and any profit, loss, or claim and debt incurred by the target company shall be unrelated to the transferor.
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#### **Article 6 Cancellation and Termination of Agreement**

This Agreement may be cancelled or terminated with a written cancellation or termination agreement by and between the parties in case of any of the following circumstances:

1. This Agreement cannot be performed due to force majeure or an external reason not caused by mistake of one party but out of control;
2. One party loses the actual performance capability;
3. The breach of one party or both parties seriously affects the economic interests of the non-breaching party and makes the performance of this Agreement unnecessary;
4. The parties agree to cancel or terminate this Agreement after negotiation because of change of circumstance.

#### **Article 7 Responsibility for Breach**

If this Agreement cannot be performed or cannot be completely performed due to the breach of one party, the breaching party shall bear the responsibility for breach; if both parties are in breach, both parties shall bear their respective responsibility for breach based on the actual situation.

#### **Article 8 Governing Law and Dispute Resolution**

1. This Agreement shall be governed and constructed according to the applicable laws of the People's Republic of China.
2. Any dispute arising from or in connection with this Agreement shall be resolved by both parties through friendly negotiation. If negotiation fails, such dispute shall be submitted to Shanghai Arbitration Commission for arbitration in Shanghai.

#### **Article 9 Miscellaneous**

1. This Agreement is made in quadruplicate, with each party hereto holding one copy and the target company holding two copies for handling of the relevant procedures.
2. This Agreement shall come into effect after the signature of both parties.

*(No text below; signature page)*

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Transferor:

**Yijiasancan (Shanghai )E-commerce Co., Ltd.**

(Seal)

Signature: /s/ Wang Wei

Name: Wang Wei

Title: Legal representative

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Transferee:

**Shanghai Xiangui Health Technology Co., Ltd.**

(Seal)

Signature: /s/ Zeng Qingchun

Name: Zeng Qingchun

Title: Legal representative



DATED [July 23, 2020]

THE INVESTOR

and

THE FOUNDERS

and

THE COMPANY

SHAREHOLDERS' AGREEMENT

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This Agreement is made on [July 23, 2020] among:

- (1) ECMOHO (Hong Kong) Health Technology Limited, a company incorporated under the laws of Hong Kong whose registered office is at Room 803, Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong (the "Investor");
- (2) The persons whose names and addresses are set out in Schedule 1 (together the "Founders" and each a "Founder"); and
- (3) ANZE PREMIUM HEALTH AND BEAUTY PTE. LTD. (Company Registration Number: 202012967D), a company incorporated under the laws of Singapore whose registered office is at 2 Venture Drive #11-31 Vision Exchange Singapore (608526) (the "Company").

**Whereas:**

- (A) The Company is a private company limited by shares.
- (B) The Investor, MA LING and the Company have entered into a Share Sale and Purchase Agreement dated July 23, 2020 (the "Purchase Agreement").
- (C) The Parties have agreed to regulate the affairs of the Company and the respective rights and obligations of the Investor and the Founders as Shareholders on the terms and subject to the conditions of this Agreement.

It is agreed as follows:

**1. Board of Directors**

**1.1 Number:** The Board shall consist of [four(4)] members.

**1.2 Composition:** The members of the Board shall consist of:

**1.2.1** the Founder Directors; and

**1.2.2** the Investor Director,

as appointed pursuant to Clause 1.3.

**1.3 Right of Appointment and Removal**

**1.3.1** Each Founder shall have the right:

- (i) to appoint and maintain in office [one (1)] person (each, a "Founder Director") as he may from time to time nominate as a director of the Company; and

(ii) to remove any director so appointed and, upon such director's removal, whether by such Founder or by such director's resignation, to appoint another director in his place.

1.3.2 The Investor shall have the right:

- (i) to appoint and maintain in office one(1) person (the "**Investor Director**") as it may from time to time nominate as a director of the Company; and
- (ii) to remove any director so appointed and, upon such director's removal, whether by such Investor or by such director's resignation, to appoint another director in his place.

1.3.3 Appointment and removal of a Director in accordance with Clause 1.3 shall be by written notice from the appointing Founder or Investor (as the case may be) to the Company which shall take effect on delivery at the Company's registered office or at any meeting of the Board.

#### 1.4 Meetings of Directors

1.4.1 Board meetings will be held [**quarterly**] / [**at least [4] times in each calendar year**].

1.4.2 The quorum at a meeting of the Board necessary for the transaction of any business of the Company shall be any two(2) Directors, including the Investor Director.

1.4.3 The Company shall send to the Investor and Investor Director (in electronic form if so required):

- (i) reasonable advance notice of each meeting of the Board (being not fewer than [**five**] Business Days), such notice to be accompanied by a written agenda specifying the business to be discussed at such meeting together with all relevant papers; and
- (ii) as soon as practicable after each meeting of the Board a copy of the minutes.

1.4.4 Save with Investor Director Consent, no business that is not specified in the agenda referred to in Clause 1.4.3 shall be transacted at any meeting of the Board.

1.4.5 The Company shall reimburse the Investor Director with reasonable costs and out-of-pocket expenses incurred by him/her in respect of attending meetings of the Company or carrying out authorised business on behalf of the Company.

1.5 The Parties agree that the Investor Director shall be under no obligation to disclose any information or opportunities to the Company except to the extent that the information or opportunity was passed to him expressly in his capacity as a director of the Company.

1.6 **Chairman:** The Chairman of the Board shall be appointed by the Board. The Chairman of the Board shall be entitled to a casting vote at any meeting of the Board.

2. **Information and Inspection Rights**

2.1 Information Rights

- 2.1.1 The Company shall prepare management accounts (in such form as the Investor shall reasonably require from time to time) for each calendar month and shall deliver such monthly management accounts to the Investor within **[15]** days after the end of each month.
- 2.1.2 The Company shall prepare management accounts (in such form as the Investor shall reasonably require from time to time) for each fiscal quarter and shall deliver such quarterly management accounts to the Investor within **[30]** days after the end of each fiscal quarter.
- 2.1.3 The Company shall prepare an annual budget and forecast for each financial year (in such form as the Investor shall reasonably require from time to time) that shall be approved by the Board (and including Investor Director Consent) and delivered to the Investor at least **[30]** days prior to the beginning of each financial year of the Company (the "**Annual Budget**").
- 2.1.4 The audited financial statements of the Company for each financial year which are audited by the accounting firms appointed and approved by the Board, including the Investor Director Consent, shall be delivered to the Investor within **[90]** days after the end of the relevant financial year.
- 2.1.5 The Investor may, from time to time and acting reasonably, request additional information regarding the Company, its businesses or operations and the Company shall provide the Investor with such other reasonable information within **[10]** days of the Investor requesting such information in writing.
- 2.1.6 Each Founder and the Company shall promptly provide the Investor with written notice containing full details of any offer or proposed offer it or they may receive from time to time (whether in writing or orally) from any person desiring or offering to acquire any Shares or assets of the Company.

2.2 Inspection Rights

- 2.2.1 The Company shall permit the Investor (or its designee), upon prior appointment and during office hours, to visit and inspect and examine the Company's properties, books and records, and to discuss the affairs of the Company with its management.

3. **Reserved Matters**

3.1 The Shareholders shall procure, as far as they lawfully can, that no action is taken or resolution passed by the Company in respect of:

- 3.1.1 those matters set out in Part 1 of Schedule 2, save with the consent of the Investor; and

3.1.2 those matters set out in Part 2 of Schedule 2, save with the prior written approval of a simple majority of the Board and including Investor Director Consent.

4. **Call Option**

4.1 After the Third Completion, the Investor shall have the right to purchase any or all of the Shares held by all the other Shareholders of the Company at the Exercise Price.

4.2 The Exercise Price will be the price per Share calculated based on the total equity valuation of the Company on a fully diluted and as converted basis and such total equity valuation shall be equal to the product obtained by multiplying (x) 15.0 by (y) net profit (excluding any one-off, non-recurring and extraordinary items) of the Company of the fiscal year 2023 as indicated in the financial statements of the Company for the fiscal year 2023 audited by an auditor as recognized by the Investor.

5. **Anti-dilution Provisions**

Without the prior written consent of the Investor, the Company shall not issue any New Securities without consideration or at a subscription price per Share less than US\$[140] (the "**Down Round Financing**"). In the event that the Investor agrees to such Down Round Financing, then the Company shall issue such additional number of Shares to the Investor at nil price so that the total price of the Shares paid by the Investor shall be equal to the price per share for such New Securities multiplied by the total number of Shares held by the Investor.

6. **Undertakings**

6.1 **Conduct of Business:** The Founders shall promote the best interests of the Company and ensure that the Business is conducted in accordance with the Business Plan and with good business practice.

6.2 **Other Undertakings:** The Founders and the Company jointly and severally undertake to the Investor to procure that the Founders and the Company will comply with the requirements set out as follows:

6.2.1 The Company shall comply with all applicable laws and regulations, including without limitation, all applicable intellectual property laws, and maintain all required licenses, permits and consents for the conduct of Business, and shall immediately notify the Investor if the Company loses any of such licenses, permits or consents.

6.2.2 From the date hereof, without the prior written consent of the Investor, all the formulas developed or to be developed by the Company [within the next ten (10) years] from the date hereof shall not be transferred, licensed or otherwise disposed of to any third party.

6.2.3 From the date hereof, all the formulas developed or to be developed by the Company shall be exclusively licensed to the Investor at the annual license fee equal to the product obtained by multiplying (i) the royalty rate of 10% or, if such

formulas are patented, 12%, by (ii) the annual gross revenue of the Investor generated from the sale of products using such formulas.

Such royalty rate shall be further negotiated by the Company and the Investor to a lower rate if the Investor's sales increase rapidly.

6.2.4 In the event that, during the period from the date hereof and until December 31, 2023, the Company fails to provide the Investor with the research documents in relation to the ingredients and effects of a total of at least thirty-two (32) formulas and the samples of such formulas for testing purpose, all of which shall pass the Investor's test, MA LING shall repay all the Consideration paid by the Investor under the Purchase Agreement by then (the "**Creditor's Right**"), and the Investor shall be entitled to purchase any of the formulas developed by the Company at the purchase price of [US\$500,000] each. If the Investor elects to purchase one or more formulas from the Company, the Investor may make the payment of the purchase price of such formulas by assigning all or part of the Creditor's Right to the Company directly, in which case such assignment shall constitute a good discharge for the Investor of its obligations to pay the purchase price of such formulas to the Company.

7. **Prevalence of Agreement**

In the event of any inconsistency or conflict between the provisions of this Agreement and the provisions of the Constitution, the provisions of this Agreement shall as between the Shareholders prevail and the Shareholders shall, so far as they are able, cause such necessary alterations to be made to the Constitution as are required to remove such conflict.

8. **Termination**

Subject to the other provisions of this Agreement, this Agreement shall continue in full force and effect without limit in point of time until the Parties agree in writing to terminate this Agreement, provided that this Agreement shall cease to have effect as regards any Shareholder who ceases to hold any Shares save for any of its provisions which are expressed to continue in force after termination and save that nothing in this Clause shall release any Party from liability for breaches of this Agreement which occurred prior to its termination.

9. **Variation**

No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the Parties.

10. **Confidentiality**

10.1 **Confidentiality Obligations:** All communications between the Company and the Shareholders or any of them and all information and other material supplied to or received by any of them from any one or more of the others which is either marked "confidential" or is by its nature intended to be exclusively for the knowledge of the recipient alone, or to be used by the recipient only for the benefit of the Company, any information concerning the business transactions or financial arrangements of the Company or of the Shareholders or



any of them, or of any person with whom any of them is in a confidential relationship with regard to the matter in question coming to the knowledge of the recipient shall be kept confidential by the recipient and shall be used by the recipient solely and exclusively for the benefit of the Company unless:

- 10.1.1 the disclosure or use is required by law, any governmental or regulatory body or any recognised securities exchange on which the shares of any Shareholder are listed;
- 10.1.2 the disclosure or use is required for the purpose of any judicial proceedings arising out of this Agreement or any other agreement entered into under or pursuant to this Agreement;
- 10.1.3 the disclosure is made to the bankers, professional advisers, consultants, related corporations or affiliates of any Party (collectively, the "**Representatives**") for the purpose of this Agreement or for a purpose connected or related to the operation of this Agreement, on terms that each Representative receiving the information agrees to comply with the provisions of this Clause 10.1.3 in respect of such information as if it were a party to this Agreement;
- 10.1.4 the information is or becomes publicly available (other than by breach of this Agreement);
- 10.1.5 the Party whose information is to be disclosed or used has, or all other Parties have, given prior written approval to the disclosure or use; or
- 10.1.6 the information is independently developed by the recipient or is lawfully in its possession prior to the disclosure to it of the information,

provided that prior to disclosure or use of any information pursuant to Clause 10.1.1, the Party concerned shall, to the extent permitted by law, promptly notify the other Party or Parties (as the case may be) of such requirement.

**10.2 Shareholders' Obligations:** Without prejudice to the generality of the foregoing, the Shareholders shall procure the observance of the abovementioned restrictions by the Company and shall take all reasonable steps to minimise the risk of disclosure of confidential information, by ensuring that only their employees, officers and directors and those of the Company whose duties will require them to possess any of such information, shall have access thereto, and that they shall be instructed to treat the same as confidential.

**10.3 Permitted Disclosure to Potential Purchasers:** Clause 10.1 shall not prohibit disclosure of any information by a Shareholder for the purpose of effecting a sale of Shares by such Shareholder, if such disclosure is made to a third party which had entered into *bona fide* discussions with such Shareholder to purchase such Shares (the "**Potential Purchaser**"), or to the professional advisers or financiers of the Potential Purchaser, and if the Potential Purchaser and such professional advisers or financiers (as the case may be) agree to keep such information confidential on terms which are reasonable for the protection of the

interests of the Company by the execution of confidentiality agreements in favour of the Company.

**10.4 Obligations to Continue:** The obligations contained in this Clause 10 shall endure, even after the termination of this Agreement, without limit in point of time except and until any confidential information enters the public domain as set out above.

**11. Announcements**

**11.1** None of the Parties shall issue any press release or make any public announcement or disclosure regarding the existence or subject matter of this Agreement, or any other agreement referred to in, or executed in connection with, this Agreement, without the prior agreement of the other Parties, save as required:

**11.1.1** by law, any governmental or regulatory body or any recognised securities exchange on which the shares of any Shareholder are listed; or

**11.1.2** for the purpose of any judicial proceedings arising out of this Agreement, or any other agreement referred to in, or executed in connection with, this Agreement,

provided that prior to the issue or making of such press release, announcement or disclosure, the Party concerned shall, to the extent permitted by law, promptly notify the other Parties of such requirement.

**12. Assignment**

**12.1** Subject to Clause 12.2, all rights and obligations hereunder, are personal to the Parties and a Party may not assign or transfer all or part of its rights or obligations under this Agreement without the prior written consent of the other Parties.

**12.2** The Investor may assign the whole or part of any of its rights in this Agreement to any person who has received a transfer of Shares from the Investor in accordance with the Constitution and this Agreement.

**13. No Partnership**

The relationship between the Shareholders shall not constitute a partnership.

**14. Indulgence, Waiver, etc.**

No failure on the part of any Party to exercise and no delay on the part of any Party in exercising any right hereunder will operate as a release or waiver thereof, nor will any single or partial exercise of any right under this Agreement preclude any other or further exercise of it.

**15. Whole Agreement**

This Agreement contains the whole agreement between the Parties relating to the subject matter of this Agreement at the date of this Agreement to the exclusion of any terms implied

by law which may be excluded by contract and supersedes any previous written or oral agreement between the Parties in relation to the matters dealt with in this Agreement.

**16. Notices**

**16.1** Any notice, communication and/or information to be given in connection with this Agreement (each, a "Notice"):

**16.1.1** must be in writing in English;

**16.1.2** must be addressed to the Party to whom it is to be given ("**Addressee**") at the address or e-mail address set out below or to any other address or e-mail address as notified by the Addressee for the purposes of this Clause:

(i) if to the Company:

Address:	Address: 2 Venture Drive #11-31 Vision Exchange Singapore (608526)
Attention:	MA LING
Title:	Director
E-mail address:	13817764243@163.com

(ii) if to the Investor:

Address:	Floor 3, No. 100, Tianyaoqiao Road, Xuhui District, Shanghai
Attention:	ZENG QINGCHUN
Title:	Director
E-mail address:	leo@ecmoho.com

(iii) if to any Founder, at the address or e-mail address set out against his name in Schedule 1;

**16.1.3** must be either:

(i) delivered by hand or sent by pre-paid registered post (by registered airmail in the case of international service) to the Addressee; or

(ii) sent by e-mail to the Addressee's e-mail address; and

**16.1.4** is deemed to be received by the Addressee in accordance with Clause 16.2.

**16.2** A Notice sent according to Clause 16.1 shall be deemed to have been received:

**16.2.1** if delivered by hand, at the time of delivery;

**16.2.2** if sent by pre-paid registered post, on the second Business Day after the date of posting (or if sent by registered airmail, on the sixth Business Day after the date of posting); or

16.2.3 if sent by e-mail, when the sender receives an automated message confirming delivery,

except that if a Notice is received on a day which is not a Business Day or is after 5.30 p.m. (Addressee's time) on a Business Day, it shall be deemed to have been received at 9:30 a.m. (Addressee's time) on the following Business Day.

17. **General**

17.1 **Rights of Third Parties:** A person who is not a party to this Agreement has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

17.2 **Remedies:** No remedy conferred by any of the provisions of this Agreement is intended to be exclusive of any other remedy which is otherwise available at law, in equity, by statute or otherwise, and each and every other remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law, in equity, by statute or otherwise. The election of any one or more of such remedies by any of the Parties shall not constitute a waiver by such Party of the right to pursue any other available remedies.

17.3 **Severance:** If any provision of this Agreement or part thereof is rendered void, illegal or unenforceable by any legislation to which it is subject, it shall be rendered void, illegal or unenforceable to that extent and it shall in no way affect or prejudice the enforceability of the remainder of such provision or the other provisions of this Agreement.

17.4 **Counterparts:** This Agreement may be signed in any number of counterparts and by the Parties on separate counterparts, each of which, when so executed, shall be an original, but all counterparts shall together constitute one and the same document. Signatures may be exchanged by e-mail, with original signatures to follow. Each Party agrees to be bound by its own electronic signature and that it accepts the electronic signature of the other Parties.

17.5 **Governing Law:** This Agreement shall be governed by, and construed in accordance with, the laws of Singapore.

17.6 **Dispute Resolution:** In event of any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination (the "Dispute"), the Dispute shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the HKIAC Administered Arbitration Rules in force at the time of the initiation of the arbitration, which rules are deemed to be incorporated by reference in this Clause. The seat of the arbitration shall be Hong Kong. The Tribunal shall consist of one arbitrator. The language of the arbitration shall be English.

18. **Interpretation**

In this Agreement, unless the context otherwise requires:

18.1 **Definitions**

"Act" means the Companies Act, Chapter 50 of Singapore;

"**Addressee**" shall have the meaning ascribed to it in Clause 16.1.2;

"**Board**" means the board of directors for the time being of the Company;

"**Business**" means research and development of traditional Chinese medicine formulations], as more fully described in the Business Plan, as more fully described in the Business Plan;

"**Business Day**" means a day on which banks are open for business in Singapore (excluding Saturdays, Sundays or public holidays);

"**Business Plan**" means the business plan for the Company;

"**Completion**" shall have the meaning ascribed to it in the Share Sale and Purchase Agreement;

"**Constitution**" means the constitution for the time being of the Company;

"**Director**" means a director for the time being of the Company;

"**Dispute**" shall have the meaning ascribed to it in Clause 17.6;

"**Founder Director**" shall have the meaning ascribed to it in Clause 1.3.1(i);

"**Company**" means the Company, taken as a whole;

"**Company**" means the Company and each and any of the Subsidiaries from time to time and "**Company**" means any one of them;

"**Intellectual Property**" means all intellectual property rights, whether registered or not, including pending applications for registration of such rights and the right to apply for registration or extension of such rights including patents, petty patents, utility models, design patents, designs, copyright (including moral rights and neighbouring rights), database rights, rights in integrated circuits and other sui generis rights, trade marks, trading names, company names, service marks, logos, the get-up of products and packaging, geographical indications and appellations and other signs used in trade, internet domain names, social media user names, rights in know-how and any rights of the same or similar effect or nature as any of the foregoing anywhere in the world;

"**Investor Director**" shall have the meaning ascribed to it in Clause 1.3.2(i);

"**Investor Director Consent**" means the prior written consent of the Investor Director;

"**Liquidity Event**" shall mean:

- (i) a liquidation, dissolution or winding up of the Company;
- (ii) a consolidation, merger, scheme of arrangement or amalgamation of the Company with or into any other corporation or corporations or non-corporate business entity or any other corporate reorganisation, in which the shareholders of such Group

Company immediately prior to such consolidation, merger or reorganisation, own less than a majority of the surviving or acquiring entity's voting power immediately after such consolidation, merger or reorganisation;

- (iii) a sale, lease or disposition of all or substantially all of the assets of the Company; or
- (iv) a transaction or series of transactions in which more than 50 per cent. of the voting power of the Company is disposed of;

"**New Securities**" means any shares in the capital of the Company or other securities convertible into, or carrying the right to subscribe for, shares in the capital of the Company, excluding for the avoidance of doubt any Treasury Shares transferred by the Company;

"**Notice**" shall have the meaning ascribed to it in Clause 16.1;

"**Ordinary Shares**" means ordinary shares in the capital of the Company;

"**Parties**" means the Company and the Shareholders, and "**Party**" means any of them;

"**Potential Purchaser**" shall have the meaning ascribed to it in Clause 10.3;

"**Representatives**" shall have the meaning ascribed to it in Clause 10.1.3;

"**Shareholder**" means any shareholder of the Company from time to time who is a party to this Agreement (but excludes the Company holding Shares as Treasury Shares from time to time);

"**Shares**" means issued shares in the capital of the Company, including the Ordinary Shares;

"**Treasury Shares**" means shares in the capital of the Company held by the Company as treasury shares; and

"**US\$**" or "**US Dollar**" means United States dollar, the lawful currency of the United States of America.

**18.2** **Affiliate:** The word "**affiliate**" means, with respect to any specified person, any other person who, directly or indirectly, controls, is controlled by, or is under common control with such person, including without limitation any general partner, managing member, officer, director or trustee of such person, or any venture capital fund or investment company now or hereafter existing that is controlled by one or more general partners, managing members or investment adviser of, or shares the same management company or investment adviser with, such person.

**18.3** **Control:** The word "**control**" (including its correlative meanings, "**controlled by**", "**controls**" and "**under common control with**") shall mean, with respect to a corporation, the right to exercise, directly or indirectly, more than 50 per cent. of the voting rights attributable to the shares of the controlled corporation and, with respect to any person other than a corporation,

the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person.

- 18.4** **Clauses, Schedules, etc.:** References to this Agreement include any Recitals and Schedules to it and references to Clauses and Schedules are to the clauses of, and schedules to, this Agreement. References to paragraphs and Parts are to paragraphs and parts of the Schedules. The Schedules form part of this Agreement and have the same force and effect as if expressly set out in the body of this Agreement.
- 18.5** **References to Subsidiaries and Related Corporations:** The words "**subsidiary**" and "**related corporation**" shall have the same meanings in this Agreement as their respective definitions in the Act.
- 18.6** **Headings:** The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.
- 18.7** **Including:** Unless a contrary indication appears, a reference in this Agreement to "**including**" shall not be construed restrictively but shall mean "**including without prejudice to the generality of the foregoing**" and "**including, but without limitation**".
- 18.8** **Modification etc. of Statutes:** References to a statute or statutory provision include that statute or statutory provision as from time to time modified, re-enacted or consolidated (whether before or after the date hereof), so far as such modification, re-enactment or consolidation applies or is capable of applying to any transaction entered into in accordance with this Agreement and (so far as liability thereunder may exist or can arise) shall also include any past statute or statutory provision (as from time to time modified, re-enacted or consolidated) which such statute or provision has directly or indirectly replaced.
- 18.9** **Others**
- 18.9.1** References to "**this Agreement**" includes all amendments, additions, and variations thereto agreed between the Parties.
- 18.9.2** References to "**day**", "**month**" or "**year**" is a reference to a day, month or year respectively in the Gregorian calendar.
- 18.9.3** References to an Investor Director shall include any alternate appointed to act in his place from time to time.
- 18.9.4** References to a person include the Company, limited liability partnership, partnership, business trust or unincorporated association (whether or not having separate legal personality).
- 18.9.5** Except where the context specifically requires otherwise, reference to a party or parties is to a Party or Parties.
- 18.9.6** References to those of the Parties that are individuals include their respective legal personal representatives.

- 18.9.7 References to "**writing**" or "**written**" includes any non-transitory form of visible reproduction of words.
- 18.9.8 Reference to "**issued Shares**" of any class or Shares of any class "**in issue**" shall exclude any Shares of that class held as Treasury Shares from time to time, unless stated otherwise.
- 18.9.9 References to one gender include all genders and references to the singular include the plural and vice versa.
- 18.9.10 References to "**fully-diluted**" means on the basis of the total number of outstanding Ordinary Shares assuming all convertible securities (including preference shares) are converted or exchanged and all rights, options or warrants to subscribe for or acquire shares are exercised and including all Ordinary Shares reserved or authorised for future issuance or grant under any equity incentive, share option or similar plan of the Company.
- 18.9.11 Any thing or obligation to be done under this Agreement which is required or falls to be done on a stipulated day, shall be done on the next succeeding Business Day, if the day upon which that thing or obligation is required or falls to be done falls on a day which is not a Business Day.



**Schedule 1**  
**Particulars of the Founders**

<b>Name</b>	<b>Address and Notice Details</b>
<b>ZHANG HUIZHI</b>	Address: 3F NO 5 LANE 693 XINHUA ROAD CHANGNING DISTRICT SHANGHAI CITY CHINA
<b>TANG YUE</b>	Address: ROOM 603 NO 37 GUMEIBA VILLAGE MINHANG DISTRICT SHANGHAI CITY CHINA
<b>MA LING</b>	Address: 7 FERVALE CLOSE #10-15 LUSH ACRES SINGAPORE (797488)

**Schedule 2  
Reserved Matters**

**Part 1**

**Shareholder Reserved Matters**

1. Any initial public offering of the Company or any public offer of shares in the Company.
2. (i) Any merger, acquisition, consolidation, reorganisation or spin-off of the Company.  
(ii) Any sale or disposal, directly or indirectly, of the whole or a substantial part of the undertaking or assets of the Company (where such sale or disposal may include, without limitation, any grant by the Company of an exclusive licence of intellectual property to a third party).
2. Any change in the maximum and minimum number of directors of the Company.
3. Any transaction by the Company with any of its related corporations, any shareholder or director of the Company, or any company or business in which the shareholders or directors of the Company or any one of them has a financial interest (except for any transaction with a wholly-owned company).
4. Any amendment to the constitution of the Company.
5. Any declaration or payment of any dividends or other distribution of profits of the Company (whether in cash or *in specie*).
6. Any reduction, consolidation, subdivision or reclassification or other alteration of the Company's capital structure.
7. The variation of any rights attaching to any shares in the capital of the Company or making of any call upon monies unpaid in respect of any issued shares.
8. The liquidation, dissolution or winding up of the Company, and any other Liquidity Event to which the Company is a party.
9. Any increase in the share capital of the Company.
10. The issuance of any new class of shares in the capital of the Company.
11. Any issuance or grant of any option over the unissued share capital of the Company or any issuance of any security convertible into any equity securities of the Company.
12. Any sale, issuance, sponsorship, creation or distribution of any digital tokens, cryptocurrency or other blockchain-based assets ("**Tokens**"), including through a pre-sale, initial coin offering, token distribution event or crowdfunding, or through the issuance of any instrument convertible into or exchangeable for Tokens.

**Part 2**

**Board Reserved Matters**

1. The appointment, terms of appointment (and amendment to such terms) or dismissal, of any Chief Executive Officer, Managing Director, Executive Director, General Manager, Chief Financial Officer, or other similar senior executive or officer of the Company.
2. Any purchase, acquisition, sale, transfer or disposal of any undertaking, any assets or any shares or other security interests by the Company.
3. The creation of any mortgage, charge or other encumbrance over the Company's assets.
4. Any change in the nature and/or scope of the business for the time being of the Company.
5. The approval of, or any amendment to, the Business Plan.
6. The approval of, or any amendment to, the Annual Budget.
7. The establishment, terms (and amendment to such terms) or termination of any employee share option scheme or phantom employee share option scheme of the Company.
8. Any exercise of the Company's powers to provide guarantees or indemnities in respect of the obligations of a third party.
9. Any exercise of the Company's borrowing powers.
10. The incurring by the Company of any capital expenditure, other than capital expenditure approved in the Annual Budget.



**The Investor**

Executed and delivered as a deed by **[ZENG QINGCHUN]**

on behalf of ECMOHO (Hong Kong) Health Technology Limited

/s/ Zeng Qingchun

Director

Name: **ZENG QINGCHUN**

in the presence of:

\_\_\_\_\_  
Witness

Name:

Address:

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**Founder**

Signed, sealed and delivered by **[ZHANG HUIZHI]**

/s/ Zhang Huizhi

ZHANG HUIZHI

in the presence of:

\_\_\_\_\_  
Witness

Name:

Address:

\_\_\_\_\_

**Founder**

Signed, sealed and delivered by **[TANG YUE]**

/s/ Tang Yue

TANG YUE

in the presence of:

\_\_\_\_\_  
Witness

Name:

Address:

\_\_\_\_\_

**Founder**

Signed, sealed and delivered by **[MA LING]**

/s/ Ma Ling

MA LING

in the presence of:

\_\_\_\_\_  
Witness

Name:

Address:



DATED [July 23 , 2020]

THE PURCHASER

and

THE SELLER

and

THE COMPANY

SHARE SALE AND PURCHASE AGREEMENT

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This Agreement is made on [July 23 , 2020] among:

- (1) **ECMOHO (Hong Kong) Health Technology Limited**, a company incorporated under the laws of Hong Kong whose registered office is at Room 803, Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong (the "**Purchaser**");
- (2) **MA LING (ID/Passport NO. [ \* \* \* ])**, of 7 FERVALE CLOSE #10-15 LUSH ACRES SINGAPORE (797488) (the "**Seller**"); and
- (3) **ANZE PREMIUM HEALTH AND BEAUTY PTE. LTD.** (Company Registration Number: 202012967D), a company incorporated under the laws of Singapore whose registered office is at 2 Venture Drive #11-31 Vision Exchange Singapore (608526) (the "**Company**"),

(collectively, the "**Parties**" and each, a "**Party**").

**Whereas:**

- (A) The Company is an exempt private company limited by shares. Further particulars of the Company are set out in Schedule 1.
- (B) As at the date of this Agreement, the Company has an issued and paid-up capital of S\$500,000 comprising 500,000 Ordinary Shares. Further details of the Company's share capital are set out in Part 1 of Schedule 2.
- (C) Before First Completion, the Company's certain current shareholder will transfer certain ordinary shares to the other current shareholders. Further details of the Company's share capital after such share transfer and immediately before First Completion are set out in Part 2 of Schedule 2.
- (D) The Purchaser has agreed to purchase from the Seller, and the Seller has agreed to sell to the Purchaser, the Purchased Shares on the terms and subject to the conditions of this Agreement. Immediately following Completion, the shareholding structure of the Company will be as set out in Part 5 of Schedule 2.

It is agreed as follows:

**1. Sale and Purchase of Purchased Shares**

- 1.1** Subject to the provisions of this Agreement, the Seller agrees to sell to the Purchaser and the Purchaser agrees to purchase from the Seller the First Purchased Shares at First Completion, free from any Encumbrances, in consideration for the aggregate purchase price of US\$[3,000,000] (the "**First Consideration**");
- 1.2** Subject to the provisions of this Agreement, the Seller agrees to sell to the Purchaser and the Purchaser agrees to purchase from the Seller the Second Purchased Shares at Second Completion, free from any Encumbrances, in consideration for the aggregate purchase price of US\$[4,500,000] (the "**Second Consideration**");

**1.3** Subject to the provisions of this Agreement, the Seller agrees to sell to the Purchaser and the Purchaser agrees to purchase from the Seller the Third Purchased Shares at Third Completion, free from any Encumbrances, in consideration for the aggregate purchase price of US\$[7,500,000] (the "**Third Consideration**").

**2. Completion**

**2.1 First Completion**

**2.1.1** The First Completion shall take place on the [fifth] Business Day after all conditions precedent set forth in Clause 2.1.2 hereof applicable to the First Completion (except for such closing conditions that will be fulfilled at the First Completion, but nonetheless subject to the satisfaction or waiver thereof at the First Completion) have been fulfilled or waived (or such other time and place as the Purchaser agrees) (the "**First Completion**", and the date of the First Completion, the "**First Completion Date**").

**2.1.2** Conditions precedent to First Completion

Subject to the terms hereof, the obligation of the Purchaser to purchase the First Purchased Shares at the First Completion is subject to the fulfillment, prior to the First Completion, to the satisfaction of the Purchaser, of the following conditions:

- (i) the Company shall have provided the Purchaser with the research documents in relation to the ingredients and effects of three (3) formulas and the samples of such formulas for testing purpose, and such formulas shall have passed the Purchaser's test.
- (ii) the Company and the existing shareholders of the Company shall have entered into a Shareholders' Agreement in the form and substance satisfactory to the Purchaser and delivered to the Purchaser an original copy duly executed by each of the Company and the existing shareholders of the Company;
- (iii) the Seller shall have delivered an instrument of transfer in respect of the First Purchased Shares duly executed and completed in favour of the Purchaser;
- (iv) the Warranties set out in Clause 4 shall remain true, complete and accurate in all respects and not misleading in any respect as at the First Completion;
- (v) the Company shall have delivered to the Purchaser a copy of the written resolutions passed by the Board, in the form and substance satisfactory to the Purchaser prior to the First Completion, under which the Board shall have:
  - (a) approved the sale and purchase of the First Purchased Shares credited as fully paid to the Purchaser and the entry of the Purchaser in the Company's electronic register of members in respect thereof;

- (b) approved and authorised the execution and delivery to the Purchaser of a share certificate for the First Purchased Shares; and
  - (c) passed such other resolutions as may be required for the consummation of the transactions as contemplated under this Agreement;
- (vi) the Company shall have delivered to the Purchaser a copy of the written resolutions passed by the Shareholders, in the form and substance satisfactory to the Purchaser prior to First Completion, under which the Shareholders shall have:
- (a) approved the sale and purchase of the First Purchased Shares;
  - (b) waived the right of first refusal or any other similar or analogous rights such Shareholders may have in respect of the sale and purchase of the First Purchased Shares.

2.1.3 At First Completion, the Purchaser shall purchase the First Purchased Shares and pay the First Consideration by electronic funds transfer to the bank account of the Seller as set out below and payment made in accordance with this Clause 2.1.3 shall constitute a good discharge for the Purchaser of its obligations under this Clause 2.1.3.

Account name : MA LING  
Bank : BANK OF CHINA LTD SINGAPORE  
Account number : \* \* \*  
Swift Code : BKCHSGSG

## 2.2 Second Completion

2.2.1 The Second Completion shall take place on the [fifth] Business Day after all conditions precedent set forth in Clause 2.2.2 hereof applicable to the Second Completion (except for such closing conditions that will be fulfilled at the Second Completion, but nonetheless subject to the satisfaction or waiver thereof at the Second Completion) have been fulfilled or waived (or such other time and place as the Purchaser agrees) (the "**Second Completion**", and the date of the Second Completion, the "**Second Completion Date**").

2.2.2 Conditions precedent to Second Completion

Subject to the terms hereof, the obligation of the Purchaser to purchase the Second Purchased Shares at the Second Completion is subject to the fulfillment, prior to

the Second Completion, to the satisfaction of the Purchaser, of the following conditions:

- (i) the Company shall have provided the Purchaser with the research documents in relation to the ingredients and effects of four (4) additional formulas and the samples of such formulas for testing purpose, and such formulas shall have passed the Purchaser's test.
- (vii) the Seller shall have delivered an instrument of transfer in respect of the Second Purchased Shares duly executed and completed in favour of the Purchaser;
- (ii) the Warranties set out in Clause 4 shall remain true, complete and accurate in all respects and not misleading in any respect as at the Second Completion;
- (iii) the Company shall have delivered to the Purchaser a copy of the written resolutions passed by the Board, in the form and substance satisfactory to the Purchaser prior to the Second Completion, under which the Board shall have:
  - (a) approved the sale and purchase of the Second Purchased Shares credited as fully paid to the Purchaser and the entry of the Purchaser in the Company's electronic register of members in respect thereof;
  - (b) approved and authorised the execution and delivery to the Purchaser of a share certificate for the Second Purchased Shares; and
  - (c) passed such other resolutions as may be required for the consummation of the transactions as contemplated under this Agreement;
- (iv) the Company shall have delivered to the Purchaser a copy of the written resolutions passed by the Shareholders, in the form and substance satisfactory to the Purchaser prior to Second Completion, under which the Shareholders shall have:
  - (a) approved the sale and purchase of the Second Purchased Shares;
  - (b) waived the right of first refusal or any other similar or analogous rights such Shareholders may have in respect of the sale and purchase of the Second Purchased Shares.

**2.2.3**

At Second Completion, the Purchaser shall purchase the Second Purchased Shares and pay the Second Consideration by electronic funds transfer to the bank account of the Seller as set out in Clause 2.1.3 and payment made in accordance with this Clause 2.2.3 shall constitute a good discharge for the Purchaser of its obligations under this Clause 2.2.3.

**Third Completion**

2.3.1 The Third Completion shall take place on the [fifth] Business Day after all conditions precedent set forth in Clause 2.3.2 hereof applicable to the Third Completion (except for such closing conditions that will be fulfilled at the Third Completion, but nonetheless subject to the satisfaction or waiver thereof at the Third Completion) have been fulfilled or waived (or such other time and place as the Purchaser agrees) (the "**Third Completion**", and the date of the Third Completion, the "**Third Completion Date**").

2.3.2 Conditions precedent to Third Completion

Subject to the terms hereof, the obligation of the Purchaser to purchase the Third Purchased Shares at the Third Completion is subject to the fulfillment, prior to the Third Completion, to the satisfaction of the Purchaser, of the following conditions:

- (i) the Company shall have provided the Purchaser with the research documents in relation to the ingredients and effects of seven (7) additional formulas and the samples of such formulas for testing purpose, and such formulas have passed the Purchaser's test.
- (viii) the Seller shall have delivered an instrument of transfer in respect of the Third Purchased Shares duly executed and completed in favour of the Purchaser;
- (ii) the Warranties set out in Clause 4 shall remain true, complete and accurate in all respects and not misleading in any respect as at the Third Completion;
- (iii) the Company shall have delivered to the Purchaser a copy of the written resolutions passed by the Board, in the form and substance satisfactory to the Purchaser prior to the Third Completion, under which the Board shall have:
  - (a) approved the sale and purchase of the Third Purchased Shares credited as fully paid to the Purchaser and the entry of the Purchaser in the Company's electronic register of members in respect thereof;
  - (b) approved and authorised the execution and delivery to the Purchaser of a share certificate for the Third Purchased Shares;
  - (c) approved the appointment of the person appointed by the Purchaser as a director of the Company;
  - (d) adopted the Amended Constitution (if required); and
  - (e) passed such other resolutions as may be required for the consummation of the transactions as contemplated under this Agreement;

(iv) the Company shall have delivered to the Purchaser a copy of the written resolutions passed by the Shareholders, in the form and substance satisfactory to the Purchaser prior to Third Completion, under which the Shareholders shall have:

- (a) approved the sale and purchase of the Third Purchased Shares;
- (b) waived the right of first refusal or any other similar or analogous rights such Shareholders may have in respect of the sale and purchase of the Third Purchased Shares;
- (c) adopted the Amended Constitution (if required).

2.3.3 At Third Completion, the Purchaser shall purchase the Third Purchased Shares and pay the Third Consideration by electronic funds transfer to the bank account of the Seller as set out in Clause 2.1.3 and payment made in accordance with this Clause 2.3.3 shall constitute a good discharge for the Purchaser of its obligations under this Clause 2.3.3.

2.4 The Purchaser shall not be obliged to perform any of its obligations under this Clause 2 unless the Company simultaneously performs its obligations under this Clause 2.

### 3. Post-Completion Undertakings

3.1 The Seller and the Company jointly and severally undertakes to the Purchaser that within five (5) Business Days from the Third Completion:

3.1.1 the Company shall lodge the relevant application form with the Registrar to update the Company's electronic register of members to reflect the Purchaser as the holder of the number of Purchased Shares purchased by the Purchaser in each Completion;

3.1.2 the Company shall issue and deliver to the Purchaser a share certificate for the number of Purchased Shares purchased by the Purchaser in each Completion;

3.1.3 the Company shall update the Company's electronic register of directors to reflect that the person appointed by the Purchaser have become director of the Company.

### 4. Warranties

4.1 The Warrantors jointly and severally warrant to the Purchaser that each and every Warranty set out in Schedule 3 is true, accurate and not misleading at the date of this Agreement.

4.2 No other knowledge of the Purchaser relating to the Company (actual, constructive or imputed) prevents or limits a claim made by the Purchaser for breach of Clause 4.1. The Warrantors shall not invoke the Purchaser's knowledge (actual, constructive or imputed) of any fact or circumstance which might make a Warranty untrue, inaccurate or misleading as a defence to a Claim for breach of Clause 4.1 or to reduce any amount recoverable.



- 4.3 Each Warranty is to be construed independently and (except where this Agreement provides otherwise) is not limited by any provision of this Agreement or another Warranty.
5. **Confidentiality**
- 5.1 Each Party undertakes to keep confidential and at all times not disclose publicly or to any third party without the prior written consent of the other Parties the existence and subject matter of this Agreement and all other agreements entered into pursuant to this Agreement, the substance of any negotiations between the Parties relating to this Agreement (and any such other agreements) and any other information received or obtained as a resulting of entering into this Agreement (and any such other agreements), unless and to the extent that:
- 5.1.1 the disclosure is required by law, any governmental or regulatory body or any recognised stock exchange on which the shares of any Party are listed;
  - 5.1.2 the disclosure is required for the purpose of any judicial proceedings arising out of this Agreement or any other agreement entered into pursuant to this Agreement;
  - 5.1.3 the disclosure is made to the professional advisers, consultants, related corporations or affiliates of any Party (collectively, the "**Representatives**") for the purpose of this Agreement or for a purpose connected or related to the operation of this Agreement, on terms that each Representative receiving the information agrees to comply with the provisions of this Clause 5.1 in respect of such information as if it were a party to this Agreement;
  - 5.1.4 the information is or becomes publicly available (other than by breach of this Agreement);
  - 5.1.5 the Party whose information is to be disclosed has given prior written approval to the disclosure; or
  - 5.1.6 the information is independently developed by the recipient or is lawfully in its possession prior to the disclosure to it of the information,
- provided that prior to disclosure of any information pursuant to Clause 5.1, the Party concerned shall, to the extent permitted by law, promptly notify the other Party or Parties (as the case may be) of such requirement.
- 5.2 Clause 5.1 shall not prohibit disclosure of any information by the Purchaser for the purpose of effecting a sale of Shares by the Purchaser, if such disclosure is made to a third party which had entered into *bona fide* discussions with the Purchaser to purchase such Shares (the "**Potential Purchaser**"), or to the professional advisers or financiers of the Potential Purchaser, and if the Potential Purchaser and such professional advisers or financiers (as the case may be) agree to keep such information confidential on terms which are reasonable for the protection of the interests of the Company by the execution of confidentiality agreements in favour of the Company.

- 5.3** The obligations contained in this Clause 5 shall endure, even after the termination of this Agreement, without limit in point of time except and until any confidential information enters the public domain as set out above.
- 6. Variation**
- No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each Party.
- 7. Assignment**
- All rights and obligations hereunder are personal to the Parties and a Party may not assign or transfer all or part of its rights or obligations under this Agreement without the prior written consent of the other Parties. Notwithstanding anything contrary in this Agreement, this Agreement and the rights and obligations herein may be assigned or transferred by the Purchaser to any of its Affiliates.
- 8. Indulgence, Waiver, etc.**
- No failure on the part of any Party to exercise and no delay on the part of any Party in exercising any right hereunder will operate as a release or waiver thereof, nor will any single or partial exercise of any right under this Agreement preclude any other or further exercise of it.
- 9. Costs**
- 9.1** The Seller shall pay at each Completion all legal, accounting and due diligence fees and disbursements of the Purchaser in relation to the negotiation, preparation, execution, performance and implementation of this Agreement, each document referred to in it and other agreements forming part of the transaction.
- 9.2** The Company and the Seller shall bear their own costs and disbursements incurred in the negotiations leading up to and in the preparation of this Agreement and of matters incidental to this Agreement.
- 10. Taxation**
- All Taxes (including interest and penalties) incurred in connection with the sale and purchase of the Purchased Shares, as contemplated in the transactions under this Agreement, shall be paid by the Seller when due, and the Seller will, at his/her own expense, file all necessary Tax returns with respect to all such Taxes, subject to requirements of any applicable law.
- 11. Whole Agreement**
- 11.1** This Agreement contains the whole agreement between the Parties relating to the subject matter of this Agreement at the date of this Agreement to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the Parties in relation to the matters dealt with in this Agreement.

**11.2** So far as is permitted by law and except in the case of fraud, each Party agrees and acknowledges that its only right and remedy in relation to any representation, warranty or undertaking made or given in connection with this Agreement shall be for breach of the terms of this Agreement to the exclusion of all other rights and remedies (including those in tort or arising under statute).

**12. Notices**

**12.1** Any notice, communication and/or information to be given in connection with this Agreement (each, a "**Notice**"):

**12.1.1** must be in writing in English;

**12.1.2** must be addressed to the Party to whom it is to be given ("**Addressee**") at the address or e-mail address set out below or to any other address or e-mail address as notified by the Addressee for the purposes of this Clause:

- (i) if to the Company:  
Address: 2 Venture Drive #11-31 Vision Exchange Singapore (608526)  
Attention: MA LING  
Title: Director  
E-mail address: 13817764243@163.com
- (ii) if to the Purchaser:  
Address: 3F, 1000No,Tianyaoqiao Road, Xuhui District, Shanghai, China  
Attention: ZENG QINGCHUN  
Title: Director  
E-mail address:leo@ecmoho.com
- (iii) if to the Seller:  
Address: 7 FERVALE CLOSE #10-15 LUSH ACRES SINGAPORE(797488)  
Attention: MA LING  
Title: Director  
E-mail address : 13817764243@163.com

**12.1.3** must be either:

- (i) delivered by hand or sent by pre-paid registered post (by registered airmail in the case of international service) to the Addressee; or
- (ii) sent by e-mail to the Addressee's e-mail address; and

**12.1.4** is deemed to be received by the Addressee in accordance with Clause 12.2.

**12.2** A Notice sent according to Clause 12.1 shall be deemed to have been received:

**12.2.1** if delivered by hand, at the time of delivery;

12.2.2 if sent by pre-paid registered post, on the second Business Day after the date of posting (or if sent by registered airmail, on the sixth Business Day after the date of posting); or

12.2.3 if sent by e-mail, when the sender receives an automated message confirming delivery,

except that if a Notice is received on a day which is not a Business Day or is after 5.30 p.m. (Addressee's time) on a Business Day, it shall be deemed to have been received at 9:30 a.m. (Addressee's time) on the following Business Day.

### 13. Termination

#### 13.1 Termination Prior to First Completion.

13.1.1 Notwithstanding any other provision of this Agreement, this Agreement may be terminated at any time prior to the First Completion:

- (iii) by the mutual written consent of the Seller and the Purchaser;
- (iv) by the Purchaser, upon written notice to the Seller, if all transactions contemplated by this Agreement have not been consummated on or prior to [December 31, 2020] (the "**Long Stop Date**");
- (v) by the Purchaser, upon written notice to the Seller, if a governmental authority of competent jurisdiction and residing in a jurisdiction in which the Company does business has issued an order or any other action permanently enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement, and such order has become final and non-appealable; or
- (vi) by the Purchaser, if the Seller or the Company has breached or failed to perform any of its covenants or other agreements contained in this Agreement to be complied with by the Seller or the Company, as applicable.

13.1.2 In the event of termination of this Agreement prior to the First Completion pursuant to Clause 13.1.1, this Agreement will become void and have no effect without any liability or obligation on the part of the Company or Purchaser (other than the provisions of Clause 5, 9, 10, 12, 13 and 14 which will survive any such termination of this Agreement); provided, however, that nothing herein will relieve any Party from any liability for any breach by such Party of its covenants or agreements set forth in this Agreement prior to such termination.

**Termination Prior to Second Completion.**

13.2.1 Notwithstanding any other provision of this Agreement, the obligations of the Parties to consummate the Second Completion may be terminated at any time after the First Completion and prior to the Second Completion:

- (i) by the mutual written consent of the Seller and the Purchaser;
- (ii) by the Purchaser, upon written notice to the Seller, if all transactions contemplated by this Agreement have not been consummated on or prior to the Long Stop Date;
- (iii) by the Purchaser, upon written notice to the Seller, if a governmental authority of competent jurisdiction and residing in a jurisdiction in which the Company does business has issued an order or any other action permanently enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement, and such order has become final and non-appealable; or
- (iv) by the Purchaser, if the Seller or the Company has breached or failed to perform any of its covenants or other agreements contained in this Agreement to be complied with by it

13.2.2 In the event the obligations of the Parties to consummate the Second Completion is terminated pursuant to Clause 13.2.1,

- (i) all obligations of Purchaser hereunder (including with respect to any obligation to fund all or any portion of the Second Completion Consideration and/or the Third Completion Consideration) will become void and have no effect, without any liability or obligation on the part of Purchaser (but without affecting any rights of Purchaser hereunder); and
- (ii) the Purchaser shall be entitled to require the Seller and the Company to either:
  - (a) repay the First Completion Consideration immediately; or
  - (b) lodge the relevant application form with the Registrar to update the Company's electronic register of members to reflect the Purchaser as the holder of the number of First Purchased Shares purchased by the Purchaser in the First Completion; and issue and deliver to the Purchaser a share certificate for the First Purchased Shares purchased by the Purchaser in the First Completion;

provided, however, that nothing herein will relieve any Party from any liability for any breach by such Party of its covenants or agreements set forth in this Agreement prior to such termination.

**Termination Prior to Third Completion.**

13.3.1 Notwithstanding any other provision of this Agreement, the obligations of the Parties to consummate the Third Completion may be terminated at any time after the Second Completion and prior to the Third Completion:

- (i) by the mutual written consent of the Seller and the Purchaser;
- (ii) by the Purchaser, upon written notice to the Seller, if all transactions contemplated by this Agreement have not been consummated on or prior to the Long Stop Date;
- (iii) by the Purchaser, upon written notice to the Seller, if a governmental authority of competent jurisdiction and residing in a jurisdiction in which the Company does business has issued an order or any other action permanently enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement, and such order has become final and non-appealable; or
- (iv) by the Purchaser, if the Seller or the Company has breached or failed to perform any of its covenants or other agreements contained in this Agreement to be complied with by it

13.3.2 In the event the obligations of the Parties to consummate the Third Completion is terminated pursuant to Clause 13.3.1,

- (i) all obligations of Purchaser hereunder (including with respect to any obligation to fund all or any portion of the Third Completion Consideration and/or the Third Completion Consideration) will become void and have no effect, without any liability or obligation on the part of Purchaser (but without affecting any rights of Purchaser hereunder); and
- (ii) the Purchaser shall be entitled to require the Seller and the Company to either:
  - (a) repay the First Completion Consideration and the Second Completion Consideration immediately; or
  - (b) lodge the relevant application form with the Registrar to update the Company's electronic register of members to reflect the Purchaser as the holder of the number of First Purchased Shares and the Second Purchased Shares purchased by the Purchaser in the First Completion and the Second Completion; and issue and deliver to the Purchaser a share certificate for the First Purchased Shares and the Second Purchased Shares purchased by the Purchaser in the First Completion and the Second Completion;

provided, however, that nothing herein will relieve any Party from any liability for any breach by such Party of its covenants or agreements set forth in this Agreement prior to such termination.

**14. General**

**14.1 Rights of Third Parties:** A person who is not a party to this Agreement has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

**14.2 Remedies:** No remedy conferred by any of the provisions of this Agreement is intended to be exclusive of any other remedy which is otherwise available at law, in equity, by statute or otherwise, and each and every other remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law, in equity, by statute or otherwise. The election of any one or more of such remedies by any of the Parties shall not constitute a waiver by such Party of the right to pursue any other available remedies.

**14.3 Severance:** If any provision of this Agreement or part thereof is rendered void, illegal or unenforceable by any legislation to which it is subject, it shall be rendered void, illegal or unenforceable to that extent and it shall in no way affect or prejudice the enforceability of the remainder of such provision or the other provisions of this Agreement.

**14.4 Counterparts:** This Agreement may be signed in any number of counterparts and by the Parties on separate counterparts, each of which, when so executed, shall be an original, but all counterparts shall together constitute one and the same document. Signatures may be exchanged by e-mail, with original signatures to follow. Each Party agrees to be bound by its own electronic signature and that it accepts the electronic signature of the other Parties.

**14.5 Governing Law:** This Agreement shall be governed by, and construed in accordance with, the laws of Singapore.

**14.6 Dispute Resolution:** In event of any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination (the "Dispute"), the Dispute shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the HKIAC Administered Arbitration Rules in force at the time of the initiation of the arbitration, which rules are deemed to be incorporated by reference in this Clause. The seat of the arbitration shall be Hong Kong. The Tribunal shall consist of one arbitrator. The language of the arbitration shall be English.

**15. Interpretation**

In this Agreement, unless the context otherwise requires:

**14.1 Definitions**

"Act" means the Companies Act, Chapter 50 of Singapore;

"**Addressee**" shall have the meaning ascribed to it in Clause 12.1.2;

"**Amended Constitution**" means the amended constitution of the Company in the agreed form to be adopted on or prior to Completion;

"**Board**" means the board of directors for the time being of the Company;

"**Business**" means research and development of traditional Chinese medicine formulations, as more fully described in the Business Plan;

"**Business Day**" means a day on which banks are open for business in Singapore, Hong Kong and the PRC (excluding Saturdays, Sundays or public holidays);

"**Business Plan**" means the business plan for the Company in the agreed form;

"**Claim(s)**" means any claim(s) for breach of any Warranty;

"**Company Product**" means any product or service designed, developed, manufactured, marketed, distributed, provided, licensed or sold at any time by the Company;

"**Completion**" means the First Completion, the Second Completion and/or the Third Closing, as the case may be and as the context may require;

"**Computer Data**" means the computer-readable information or data owned or used by the Company and stored in electronic form;

"**Computer Hardware**" means the computer hardware, firmware, equipment and ancillary equipment (other than the Computer Software and Computer Data) owned or used by the Company and all related manuals and documentation;

"**Computer Software**" means the computer programs owned or used by the Company and all related manuals and documentation;

"**Computer System**" means the Computer Hardware, Computer Data and Computer Software;

"**Consideration**" shall have the meaning ascribed to it in Clause 1.1;

"**Data Protection Legislation**" means all laws and regulations relating to the collection, storage, transfer, disclosure, use or processing of Personal Data or personally identifiable information in any jurisdiction in which the Company operates, including the PDPA;

"**Dispute**" shall have the meaning ascribed to it in Clause 14.6;

"**Encumbrance**" means any mortgage, charge, security interest, lien, pledge, assignment by way of security, equity, claim, right of pre-emption, option, covenant, restriction, reservation, lease, trust, order, decree, judgment, title defect (including retention of title claim), conflicting claim of ownership or any other encumbrance of any nature whatsoever (whether or not perfected other than liens arising by operation of law);



"**Financial Statements**" means [the audited financial statements of the Company] for the period ended on the Financial Statements Date;

"**First Purchased Shares**" means [50,000] ordinary shares in the capital of the Company, and being [10.00] per cent. of the outstanding and issued share capital of the Company;

"**Grant Funding**" means any funding, grant or other monetary aid or assistance from any government or regulatory body or authority, any statutory undertaking or any other public body or authority;

"**GST**" means goods and services tax charged under the Goods and Services Tax Act, Chapter 117A of Singapore;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC.

"**Intellectual Property**" means all intellectual property rights, whether registered or not, including pending applications for registration of such rights and the right to apply for registration or extension of such rights including patents, petty patents, utility models, design patents, designs, copyright (including moral rights and neighbouring rights), database rights, rights in integrated circuits and other sui generis rights, trade marks, trading names, company names, service marks, logos, the get-up of products and packaging, geographical indications and appellations and other signs used in trade, internet domain names, social media user names, rights in know-how and any rights of the same or similar effect or nature as any of the foregoing anywhere in the world;

"**IRAS**" means the Inland Revenue Authority of Singapore;

"**Losses**" means all losses, liabilities, costs (including legal costs and experts' and consultants' fees), charges, expenses, actions, proceedings, claims and demands;

"**Notice**" shall have the meaning ascribed to it in Clause 12.1;

"**Open Source Code**" means any software code that is distributed as "free software" or "open source software" or is otherwise distributed publicly in source code form under terms that permit modification and redistribution of such software, which includes, without limitation, software code that is licensed under the GNU General Public License, GNU Lesser General Public License, Mozilla License, Common Public License, Apache License, BSD License, Artistic License, or Sun Community Source License;

"**Ordinary Shares**" means ordinary shares in the capital of the Company;

"**PDPA**" means the Personal Data Protection Act 2012 (No. 26 of 2012 of Singapore);

"**Personal Data**" means all data which is defined to be "personal data" under the PDPA and all data which is protected as "personal data" or an equivalent, under any applicable Data Protection Legislation;

"**Potential Purchaser**" shall have the meaning ascribed to it in Clause 5.2;

"**PRC**" means the People's Republic of China, but solely for purposes of this Agreement, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;

"**Properties**" means the properties described in Schedule 4;

"**Purchased Shares**" means the First Purchased Shares, the Second Purchased Shares and/or the Third Purchased Shares, as the case may be and as the context may require;

"**Registrar**" means the Registrar of Companies appointed under the Act;

"**Representatives**" shall have the meaning ascribed to it in Clause 5.1.3;

"**Second Purchased Shares**" means [45,000] ordinary shares in the capital of the Company, and being [9.00] per cent. of the outstanding and issued share capital of the Company;

"**Shareholder**" means any shareholder of the Company from time to time (but excludes the Company holding Shares as Treasury Shares from time to time);

"**Shares**" means issued shares in the capital of the Company;

"**Singapore Dollar(s)**" and the sign "**S\$**" mean the lawful currency of Singapore;

"**Third Purchased Shares**" means [53,571] ordinary shares in the capital of the Company, and being [10.71] per cent. of the outstanding and issued share capital of the Company;

"**Tax**" means all forms of taxation, duties, rates, levies, contributions, withholdings, deductions, liabilities to account, charges and imposts whether imposed in Singapore or elsewhere in the world;

"**Taxing Authority**" means any governmental, state, federal, provincial, local governmental or municipal authority, body or official whether of Singapore or elsewhere in the world, which is competent to impose or collect Tax;

"**Treasury Shares**" means shares in the capital of the Company held by the Company as treasury shares;

"**US\$**" means the lawful currency of the United States of America.

"**Warranties**" means the warranty statements given by the Warrantors pursuant to Clause 4 and set out in Schedule 4 and "**Warranty**" means any one of them; and

"**Warrantors**" means the Company and the Seller.

**14.2** **Affiliate:** The word "**affiliate**" means, with respect to any specified person, any other person who, directly or indirectly, controls, is controlled by, or is under common control with such person, including without limitation any general partner, managing member, officer, director or trustee of such person, or any venture capital fund or investment company now or

hereafter existing that is controlled by one or more general partners, managing members or investment adviser of, or shares the same management company or investment adviser with, such person.

- 14.3 Control:** The word "**control**" (including its correlative meanings, "**controlled by**", "**controls**" and "**under common control with**") shall mean, with respect to a corporation, the right to exercise, directly or indirectly, more than 50 per cent. of the voting rights attributable to the shares of the controlled corporation and, with respect to any person other than a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person.
- 14.4 Clauses, Schedules, etc.:** References to this Agreement include any Recitals and Schedules to it and references to Clauses and Schedules are to the clauses of, and schedules to, this Agreement. References to paragraphs and Parts are to paragraphs and parts of the Schedules. The Schedules form part of this Agreement and have the same force and effect as if expressly set out in the body of this Agreement.
- 14.5 Headings:** The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.
- 14.6 Including:** Unless a contrary indication appears, a reference in this Agreement to "**including**" shall not be construed restrictively but shall mean "**including without prejudice to the generality of the foregoing**" and "**including, but without limitation**".
- 14.7 Others**
- 14.7.1** References to "**this Agreement**" includes all amendments, additions, and variations thereto agreed between the Parties.
- 14.7.2** References to "**day**", "**month**" or "**year**" is a reference to a day, month or year respectively in the Gregorian calendar.
- 14.7.3** References to a person include any company, limited liability partnership, partnership, business trust or unincorporated association (whether or not having separate legal personality).
- 14.7.4** Except where the context specifically requires otherwise, reference to a party or parties is to a Party or Parties.
- 14.7.5** Any reference to a document being "**in the agreed form**" is to a document in a form agreed between the Company and the Purchaser and initialled or otherwise identified by, or on behalf of, each of them as such, with such alterations as may be agreed in writing between the Company and the Purchaser.
- 14.7.6** References to those of the Parties that are individuals include their respective legal personal representatives.
- 14.7.7** References to "**writing**" or "**written**" include any non-transitory form of visible reproduction of words.

- 14.7.8 Reference to "**issued Shares**" of any class or Shares of any class "**in issue**" shall exclude any Shares of that class held as Treasury Shares from time to time, unless stated otherwise.
- 14.7.9 Reference to the "**holders**" of a class of Shares shall exclude the Company holding Shares of that class as Treasury Shares from time to time, unless stated otherwise.
- 14.7.10 References to one gender include all genders and references to the singular include the plural and *vice versa*.
- 14.7.11 References to a person connected with or to another person shall be interpreted within the meaning of "**connected person**" as defined in Section 2 of the Securities and Futures Act, Chapter 289 of Singapore.
- 14.7.12 The expression "**electronic register of members**" refers to the electronic register of members of the Company kept and maintained by the Registrar pursuant to Section 196A of the Act.
- 14.7.13 References to "**fully-diluted**" means on the basis of the total number of outstanding Ordinary Shares assuming all convertible securities (including preference shares) are converted or exchanged and all rights, options or warrants to subscribe for or acquire shares are exercised and including all Ordinary Shares reserved or authorised for future issuance or grant under any equity incentive, share option or similar plan of the Company.
- 14.7.14 Save as otherwise expressly provided, all warranties, representations, undertakings, covenants and obligations given or made by the Warrantors are given or made on a joint and several basis.
- 14.7.15 Any thing or obligation to be done under this Agreement which is required or falls to be done on a stipulated day, shall be done on the next succeeding Business Day, if the day upon which that thing or obligation is required or falls to be done falls on a day which is not a Business Day.

**Schedule 1**  
**Particulars of the Company**

Registered number:	202012967D
Registered office:	2 VENTURE DRIVE #11-31 VISION EXCHANGE SINGAPORE (608526)
Date and place of incorporation:	MAY 6, 2020; SINGAPORE

Directors:	MA LING, ZHANG HUIZHI, TANG YUE
Secretary:	WANG SICEN
Issued share capital (including Treasury Shares):	S\$500,000

**Schedule 2  
Capitalisation**

**Part 1**

**Fully-diluted Capitalisation as at the date of this Agreement**

Shareholders	Type of Shares	Number of Shares	Percentage
ZHANG HUIZHI	ORDINARY SHARES	[498,500]	[99.700]%
MA LING	ORDINARY SHARES	[750]	[0.150]%
TANG YUE	ORDINARY SHARES	[750]	[0.150]%
TOTAL		[500,000]	[100]%

**Part 2**

**Fully-diluted Capitalisation immediately prior to First Completion**

Shareholders	Type of Shares	Number of Shares	Percentage
ZHANG HUIZHI	ORDINARY SHARES	[246,100]	[49.22]%
MA LING	ORDINARY SHARES	[201,200]	[40.24]%
TANG YUE	ORDINARY SHARES	[52,700]	[10.54]%
TOTAL		[500,000]	[100]%

**Part 3****Fully-diluted Capitalisation immediately following First Completion**

Shareholders	Type of Shares	Number of Shares	Percentage
ZHANG HUIZHI	ORDINARY SHARES	[246,100]	[49.22]%
MA LING	ORDINARY SHARES	[151,200]	[30.24]%
TANG YUE	ORDINARY SHARES	[52,700]	[10.54]
ECMOHO (HONG KONG) HEALTH TECHNOLOGY LIMITED	ORDINARY SHARES	[50,000]	[10.00]%
TOTAL		[500,000]	[100]%

**Part 4****Fully-diluted Capitalisation immediately following Second Completion**

Shareholders	Type of Shares	Number of Shares	Percentage
ZHANG HUIZHI	ORDINARY SHARES	[246,100]	[49.22]%
MA LING	ORDINARY SHARES	[106,200]	[21.24]%
TANG YUE	ORDINARY SHARES	[52,700]	[10.54]%
ECMOHO (HONG KONG) HEALTH TECHNOLOGY LIMITED	ORDINARY SHARES	[95,000]	[19.00]%
TOTAL		[500,000]	[100]%

Part 5

Fully-diluted Capitalisation immediately following Third Completion

Shareholders	Type of Shares	Number of Shares	Percentage
ZHANG HUIZHI	ORDINARY SHARES	[246,100]	[49.22]%
MA LING	ORDINARY SHARES	[52,629]	[10.53]%
TANG YUE	ORDINARY SHARES	[52,700]	[10.54]%
ECMOHO (HONG KONG) HEALTH TECHNOLOGY LIMITED	ORDINARY SHARES	[148,571]	[29.71]%
TOTAL		[500,000]	[100]%



**Schedule 3  
Warranties**

**1. Share Capital**

- 1.1** Part 1 of Schedule 2 sets out a true, complete, accurate and not misleading list of, as at the date of this Agreement, all holders of Shares or options or other rights convertible into or exchangeable for shares of the Company, together with the number of Shares or rights held by each of them.
- 1.2** Part 2 of Schedule 2 sets out a true, complete, accurate and not misleading list of, as at immediately prior to First Completion, all holders of Shares or options or other rights convertible into or exchangeable for shares of the Company, together with the number of Shares or rights held by each of them.
- 1.3** Part 3 of Schedule 2 sets out a true, complete, accurate and not misleading list of, as at immediately after the transfer of the First Purchased Shares at First Completion, all holders of Shares or options or other rights convertible into or exchangeable for shares of the Company, together with the number of Shares or rights held by each of them.
- 1.4** Part 4 of Schedule 2 sets out a true, complete, accurate and not misleading list of, as at immediately after the transfer of the Second Purchased Shares at Second Completion, all holders of Shares or options or other rights convertible into or exchangeable for shares of the Company, together with the number of Shares or rights held by each of them.
- 1.5** Part 5 of Schedule 2 sets out a true, complete, accurate and not misleading list of, as at immediately after the transfer of the Third Purchased Shares at Third Completion, all holders of Shares or options or other rights convertible into or exchangeable for shares of the Company, together with the number of Shares or rights held by each of them.
- 1.6** The Purchased Shares are fully paid shares.
- 1.7** There is no Encumbrance, and there is no agreement, arrangement or obligation to create or give any Encumbrance, in relation to any of the Purchased Shares or shares or equity interests in the capital of the Company.
- 1.8** Other than this Agreement, there is no agreement, arrangement or obligation requiring the issue, transfer, redemption or repurchase of, or the grant to a person of the right (conditional or not) to require the issue, transfer, redemption or repurchase of, the Shares or any shares or equity interests in the capital of the Company (including, without limitation, any right of pre-emption or options or other rights convertible into or exchangeable or exercisable for any shares or equity interests in the capital of the Company).
- 1.9** The Company does not have nor has ever had any subsidiary and has not at any time been the holding company of any company or a member of or the beneficial owner of any shares, securities or other interest in any company or other person.

**2. Capacity and Authority**

2.1 The Company is duly incorporated and validly existing under the laws of Singapore.

2.2 Each Warrantor has full right and authority to enter into and perform its obligations under this Agreement on the terms and conditions hereunder and this Agreement represents its legal, valid and binding obligations enforceable in accordance with its terms.

2.3 The execution and delivery by the Warrantors of this Agreement and the documents referred to herein, and compliance with their respective terms, shall not breach or constitute a default under the Company's constitution, or any other agreement or instrument to which any Warrantor is a party or by which any Warrantor is bound, and shall not constitute a breach under any order, judgment, decree or other restriction applicable to any Warrantor.

**3. Information**

3.1 The information contained or referred to in the Recitals and Schedule 2, Schedule 3 and Schedule 5, is true, complete and accurate and not misleading.

3.2 All information which has been provided by or on behalf of the Company or its authorised representatives to the Purchaser, and their respective advisers or agents in the course of the due diligence conducted by the Purchaser and the negotiations leading to this Agreement is true, complete, accurate and not misleading.

3.3 All information about the Purchased Shares and the Company's business which might be material for disclosure to a buyer of the Purchased Shares has been disclosed to the Purchaser in writing.

**4. Business Plan**

4.1 The Business Plan has been diligently prepared by the Warrantors in good faith and each of the Warrantors believes that, as at the date of this Agreement, it represents a realistic plan in relation to the future progress, expansion and development of the Business.

4.2 The financial forecasts, projections or estimates contained in the Business Plan have been diligently prepared, are fair, valid and reasonable and have not been disproved in the light of any events or circumstances which have arisen subsequent to the preparation of the Business Plan up to the date of this Agreement.

4.3 The assumptions upon which the Business Plan has been prepared have been carefully considered and are believed to be reasonable, having regard to the information available and to the market conditions prevailing at the time of their preparation.

## **5. Financial Statements and Management Accounts**

### **5.1** The Financial Statements:

- 5.1.1** have been prepared in accordance with accounting principles, standards and practices which are generally accepted in Singapore and on the same basis and in accordance with the same accounting policies as the corresponding accounts for the preceding **[three]** financial years;
- 5.1.2** comply with the requirements of the Act and any other applicable law; and
- 5.1.3** give a true and fair view of the state of affairs of the Company as at the Financial Statements Date and of the profits and losses for the period concerned.

### **5.2** The accounting records of the Company are accurate, up to date, in its possession or under its control and properly completed in accordance with the applicable laws and accounting standards.

### **5.3** The Management Accounts:

- 5.3.1** have been prepared on a basis consistent with the Financial Statements;
- 5.3.2** reasonably reflect the financial affairs of the Company at the date to which they have been prepared and its results for the period covered by the Management Accounts; and
- 5.3.3** are not inaccurate or misleading in any material respect.

## **6. Events since the Financial Statements Date**

### Since the Financial Statements Date:

- 6.1.1** the Company has carried on its business in the ordinary course and so as to maintain the same as a going concern;
- 6.1.2** the Company has not (i) acquired or disposed of or agreed to acquire or dispose of any business or any material asset or (ii) assumed or acquired any material liability (including a contingent liability);
- 6.1.3** the Company has not declared, paid or made a dividend or distribution nor has it repaid any loan capital or other debenture;
- 6.1.4** the Company has not redeemed or purchased or agreed to redeem or purchase any of its share capital;
- 6.1.5** the Company has not borrowed monies;

**6.1.6** there has been no adverse change in the financial or trading position or prospects of the Company; and

**6.1.7** no material change has occurred in the assets and liabilities shown in the Financial Statements.

**7. Tax**

**7.1** The Company is only liable to pay Taxes in the jurisdictions in which it is incorporated. The Company is not liable to pay and has at no time incurred any liability to Tax chargeable under the laws of any jurisdiction other than the jurisdiction in which it is incorporated.

**7.2** The Company has paid all Tax which it has become liable to pay and is not, and has not been, liable to pay any penalty, surcharge, fine or interest in connection with Tax.

**7.3** The Company has correctly deducted or withheld all Tax which it has been obliged by applicable laws to deduct or withhold from amounts paid by it, and has properly accounted to the relevant Taxing Authority for all amounts of Tax so deducted or withheld.

**7.4** The Company has filed all returns, provided all such information and maintained all such records as required to be filed or provided or maintained by it under Applicable Laws.

**7.5** The Company is not involved in any dispute with any Taxing Authority in relation to Tax.

**7.6** All acquisitions or disposals of assets by the Company and all supplies of services by and to the Company have occurred at arm's length between unconnected persons and for a consideration in cash at market value.

**7.7** The Company is registered for the purposes of the Goods and Services Tax Act, Chapter 117A of Singapore (and has not at any time been treated as a member of a group of companies for such purpose). The Company has complied with all statutory provisions, regulations and notices relating to GST and has duly and punctually accounted for and/or paid IRAS all amounts of GST which it ought to have so accounted for and/or paid.

**8. Litigation**

**8.1** Neither the Company nor any person for whose acts and defaults it may be vicariously liable, is at present engaged whether as claimant, defendant or otherwise in any legal action, proceeding or arbitration which is either in progress or is threatened or is pending or is being prosecuted for any criminal offence and no governmental, regulatory or official investigation or inquiry concerning the Company is threatened or in progress or pending.

**8.2** There are no circumstances known to any of the Warrantors likely to lead to any such claim or legal action, proceeding or arbitration, prosecution, investigation or inquiry.

**8.3** Neither the Company nor the Seller nor any person acting for or on behalf of the Company is being prosecuted for an offence, nor are they or have they been the subject of any investigation, or inquiry by, or on behalf of, any governmental, administrative or regulatory

authority, in respect of any offence or alleged offence, under any applicable laws or regulations of any jurisdiction (including anti-corruption laws or regulations), and there are no circumstances known to any of the Warrantors likely to give rise to any such prosecution, investigation or inquiry.

## **9. Properties**

- 9.1** Schedule 4 sets out true, accurate and not misleading information of all the Properties in which the Company has an interest in or occupy.
- 9.2** The Company is the sole owner of and has a good and marketable title to the relevant Property. The title documents for the relevant Properties are held by the Company and are in good order. No Property is subject to any Encumbrance.
- 9.3** The Properties have the benefit of adequate access rights to enable the Company to enjoy undisturbed beneficial occupation.
- 9.4** The Company has duly complied with the obligations affecting the relevant Properties and no termination notice has been given (by the landlord or the tenant) in relation to any lease relating to any of the relevant Properties.
- 9.5** There are no outstanding liabilities (actual, anticipated or contingent) in relation to any of the Properties (including, without limitation, outstanding rent reviews and future duties to reinstate alterations) or in relation to any property formerly owned or occupied by the Company.
- 9.6** The Properties are fully insured and the Company has appropriate rights to ensure any damage by an insured risk is reinstated.
- 9.7** All prudent land title and property information searches, extraction of road and railway plans and legal requisitions to relevant government agencies have been undertaken and no adverse matter has been revealed.

## **10. Intellectual Property**

- 10.1** The operations of the Company and any products or services supplied by them do not use or infringe the rights of any person or infringe any right of privacy and the Warrantors are not aware of any claims in relation to the same.
- 10.2** All Intellectual Property, which is or is likely to be material to the business of the Company:
- 10.2.1** is (or in the case of applications will be) legally and beneficially owned and vested exclusively in the Company; or
  - 10.2.2** is licensed to the Company by third parties by way of an agreement and/or licence which enable the Company to use the Intellectual Property as it requires in the ordinary course of its business.

and, in each case true, accurate and not misleading.

- 10.3** All Intellectual Property which is registered in the name of the Company, or in respect of which the Company has made application for registration, is:
- 10.3.1** valid and enforceable and not subject to any claims of opposition from any third party;
  - 10.3.2** not being (or has not been) infringed, misappropriated or used without permission by any other person; and
  - 10.3.3** not subject to any licence, estoppel or authority or similar right in favour of any other person.
- 10.4** Nothing has been done or omitted to be done whereby any of the Intellectual Property owned or used by the Company have ceased or might cease to be valid and enforceable or whereby any person is or will be able to seek cancellation, rectification or any other modification of any registration of any such Intellectual Property.
- 10.5** The Company has not granted and is not obliged to grant a licence, assignment or other right or Encumbrance in respect of any of the Intellectual Property (either owned or used by the Company) to any person.
- 10.6** No party to an agreement relating to the use: (a) by the Company of any Intellectual Property owned by another person; or (b) by a third party of any Intellectual Property owned by the Company and licensed to such third party, has at any time been, in breach of the agreement and no circumstances exist which would give rise to any breach of any such agreement or to any such agreement being terminated, suspended, varied or revoked without the Company's consent (other than termination without cause upon notice in accordance with the terms of the agreement).
- 10.7** None of the Intellectual Property owned by the Company has been the subject of any opposition, invalidation, revocation or cancellation proceeding or any other proceeding concerning its validity, enforceability, or the Company's title to such right. No such proceedings have been threatened. No fact or circumstance exists which might give rise to a proceeding of that type.
- 10.8** There has not been any infringement, misappropriation, misuse, violation or other unauthorised use by third parties of any of the Intellectual Property owned by the Company.
- 10.9** The Company has not knowingly disclosed or permitted to be disclosed to any person (other than to the Purchaser and to their agents, employees or professional advisers) any of its know-how, trade secrets, confidential information or lists of customers or suppliers.
- 10.10** No Company Product contains, is derived from, is distributed with, or is being or was developed using Open Source Code that is licensed under any terms that:

**10.10.1** impose or could impose a requirement or condition that any Company Product or part thereof:

- (i) be disclosed or distributed in source code form;
- (ii) be licensed for the purpose of making modifications or derivative works; or
- (iii) be redistributable at no charge; or

**10.10.2** otherwise impose or could impose any other material limitation, restriction, or condition on the right or ability of the Company to use or distribute any Company Product or to enforce Intellectual Property.

**10.11** The Company has in place adequate back-up, disaster recovery and other systems and procedures (details of which have been provided to the Purchaser) to enable its business to continue without material adverse change in the event of a failure of the Computer System.

## **11. Assets**

**11.1** The Company has not granted any Encumbrance over any part of its undertaking or assets.

**11.2** Each asset used by the Company is: (i) legally and beneficially owned solely by the Company free from any Encumbrance; (ii) not subject to any finance lease or hire purchase agreement or sale on deferred, credit or conditional terms; and (iii) where capable of possession, in the possession or under the control of the Company.

**11.3** The Company owns or has the right to use each asset necessary for the effective operation of its business.

**11.4** All plant, machinery, vehicles and equipment owned, possessed or used by the Company are in good condition and working order, have been regularly and properly maintained and are in compliance with all applicable laws.

**11.5** The Company's inventory is of satisfactory quality and saleable in the ordinary course of its business.

## **12. Related Party Agreements**

**12.1** Other than this Agreement, there has not been, any agreement or arrangement (legally enforceable or not) between, on the one hand, the Company and, on the other hand, (i) any of its affiliates, (ii) any shareholder, director or manager of the Company, or any of their affiliates, or (iii) any person connected with any of them (including immediate family members).

**12.2** No Shareholder nor any person connected with a Shareholder owns any property used by the Company.

**13. Employment and Consultancy Arrangements**

- 13.1** The Company is not involved in any dispute with any trade union or organisation representing the employees or a group of employees and there are no circumstances likely to give rise to any such dispute.
- 13.2** There are no agreements or arrangements (whether legally enforceable or not) in relation to which the Company has incurred, will incur or could incur any liability or responsibility for or in relation to the provision of any share incentive, share option, profit sharing, bonus or other incentive arrangements, or any pensions, allowances, lump sums gratuities or other like benefits on redundancy, retirement, withdrawal from service or on death or during periods of sickness or disablement or accident for or in respect of any director or former director, or employee or former employee, of the Company or any person who has at any time agreed to provide services to the Company or any dependants of any such persons and no proposals or announcements have been made about the introduction, continuance, variation of, or payment of any contribution towards any such agreements or arrangements.
- 13.3** There is no outstanding dispute or complaint in relation to the types of benefits described in paragraph 13.2 of this Schedule 4.
- 13.4** The Company has, in relation to its current and former employees, directors or workers, complied with all applicable laws and has no outstanding liabilities for termination of any such employment contracts or owe any other amounts to such persons other than remuneration accrued during the month in which this Agreement has been entered into.

**14. Compliance with Law**

- 14.1** The Company has conducted its business in accordance with all applicable laws and all permits, authorities, licences and consents have been obtained and all conditions applicable thereto complied with and there are no circumstances which might lead to the suspension, alteration or cancellation of any such permits, authorities, licences or consents, nor is there any agreement which materially restricts the fields within which the Company may carry on its business.
- 14.2** The Seller is not or has not been in violation of any applicable statute, rule, regulation, order or restriction of any domestic or foreign government or any instrumentality or agency thereof in respect of the ownership of the Company's shares.
- 14.3** No company director has been disqualified from being a company director.
- 14.4** No person, not being a director of the Company, has any actual or ostensible authority, whether under a power of attorney, agency agreement or otherwise, to commit the Company to any obligation other than an obligation of a nature which is usual for it to incur in the ordinary course of its business.
- 14.5** The Company:
  - 14.5.1** has complied with Data Protection Legislation;



- 14.5.2 has not received any notice, letter or complaint alleging a breach by it of any of the provisions of Data Protection Legislation or requesting information as to its data protection policies or practices and no circumstances exist which may give rise to any of the above;
- 14.5.3 has not awarded compensation to an individual under Data Protection Legislation, no claim for such compensation is outstanding and there is no reason to believe that any circumstances exist which might lead to any claim for compensation being made; and
- 14.5.4 is not the subject of any order or direction made against it under Data Protection Legislation, no application for such an order or direction is outstanding and, there is no reason to believe that any circumstances exist which might lead to any application for such an order or direction being made.

14.6 In respect of any Grant Funding provided to the Company:

- 14.6.1 the Company has complied in all respects with the terms and conditions on which any Grant Funding has been provided to the Company;
- 14.6.2 the entry into this Agreement and the fulfilment of the Business Plan will not:
  - (i) breach any terms or conditions of any Grant Funding; or
  - (ii) alter or abrogate any rights of the Company under any Grant Funding; and
- 14.6.3 no Grant Funding will be terminated or be required to be repaid as a result of the entry into this Agreement or the fulfilment of the Business Plan.

15. **Records**

The records (including computer records), statutory books, registers, minute books and books of account of the Company are duly entered up and maintained in accordance with all legal requirements applicable thereto and contain true, full and accurate records of all matters required to be dealt with therein and all such books and all records and documents (including documents of title) which are its property are in its possession or under its control.

16. **Insurance**

In respect of all insurance policies held by the Company:

- (i) all premiums have been duly paid to date;
- (ii) all the policies are in full force and effect; and
- (iii) there are no circumstances which would or might give rise to any claim and no insurance claim is outstanding.

**17. Agreements and Capital Commitments**

**17.1** The Company:

- 17.1.1** has no material capital commitments;
- 17.1.2** is not a party to any contract, arrangement or commitment (whether in respect of capital expenditure or otherwise) which is of an unusual, onerous or long-term nature or which involves or could involve a material obligation or liability;
- 17.1.3** is not bound by any guarantee or contract of indemnity or suretyship under which any liability or contingent liability is outstanding;
- 17.1.4** has not entered into any agreement which requires or may require, or confers any right to require, the sale (whether for cash or otherwise) or the transfer by it of any asset;
- 17.1.5** is not a party to any joint venture, consortium, partnership, unincorporated association or profit sharing arrangement or agreement;
- 17.1.6** is not a party to nor does it enjoy the benefit of any agreement requiring registration or notification under or by virtue of any statute; or
- 17.1.7** is not in default of any agreement or arrangement to which it is a party.

**17.2** The Company has not been and is not a party to any contract or arrangement binding upon it for the purchase or sale of property or the supply of goods or services at a price different to that reasonably obtainable on an arm's length basis.

**17.3** No fact or circumstance exists which might invalidate or give rise to a ground for termination of any agreement, arrangement or obligation to which the Company is a party. No party with whom the Company has entered into any agreement, arrangement or obligation has given notice of its intention to terminate such agreement, arrangement or obligation.

**17.4** Neither the Company nor any party with whom the Company has entered into any agreement, arrangement or obligation is in breach of such agreement, arrangement or obligation. No fact or circumstance exists which might give rise to a breach of this type.

**18. Borrowings and Facilities**

The Company is not in breach of any of the terms of the bank overdraft facilities and all borrowings of the Company and none of such facilities or terms of borrowing will be terminated as a result of the entry into of this Agreement.

**Schedule 4  
The Properties**

*[insert details of the Properties  
(see paragraph 9 (Properties) of Schedule 4)]*

This Agreement has been executed on the date shown on the first page.

**The Company**

Signed by **[MA LING]**

for and on behalf of **ANZE PREMIUM HEALTH AND BEAUTY PTE. LTD.**

/s/ Ma Ling \_\_\_\_\_

Director

Name: **MA LING**

in the presence of:

\_\_\_\_\_  
Witness

Name:

Address:

\_\_\_\_\_

**THE PURCHASER**

Signed by [ZENG QINGCHUN]

for and on behalf of ECMOHO (Hong Kong) Health Technology Limited

/s/ Zeng Qingchun

Director

Name: **ZENG QINGCHUN**

in the presence of:

\_\_\_\_\_  
Witness

Name:

Address:

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**The Seller**

Signed by **[MA LING]**

/s/ Ma Ling

**MA LING**

---

in the presence of:

---

Witness

Name:

Address:

## NOTE PURCHASE AGREEMENT

THIS NOTE PURCHASE AGREEMENT (this “**Agreement**”) is made as of July 23, 2020, by and among:

- (1) Anze Premium Health and Beauty Pte. Ltd., a company organized and existing under the laws of the Republic of Singapore (the “**Borrower**” or the “**Company**”),
- (2) ECMOHO (Hong Kong) Health Technology Limited, a company organized and existing under the laws of Hong Kong (the “**Lender**”),
- (3) The individuals named on Schedule I attached hereto (collectively, the “**Founders**” and each, a “**Founder**”).

The foregoing parties are referred to herein individually as a “**Party**” and collectively as the “**Parties**.”

## RECITALS

- A. The Lender desires to lend to the Borrower, and the Borrower desires to borrow from the Lender, an aggregate principal amount equal to US\$[15,000,000] (the “**Loan**”), evidenced by the note in the form attached hereto as Exhibit A (the “**Note**”), upon the terms and subject to the conditions set forth in this Agreement.
- B. The Parties desire to enter into this Agreement and make the respective representations, warranties, covenants and agreements set forth herein on the terms and conditions set forth herein.

In consideration of the foregoing recitals and the mutual promises hereinafter set forth, the receipt, sufficiency and adequacy of which consideration the Parties hereby acknowledge, the Parties hereto, intending to be legally bound, agree as follows:

## AGREEMENT

## 1. DEFINITIONS

For purposes of this Agreement, the following terms shall have the following meanings:

“**Affiliate**” means, with respect to a Person, any other Person that, directly or indirectly, Controls, is Controlled by or is under common Control with such Person, including, without limitation any general or limited partner, officer or director of such Person and any venture capital fund now or hereafter existing which is Controlled by or under common Control with one or more general partners or shares the same management company with such Person.

“**Agreement**” has the meaning set forth in the preamble.

“**Borrower**” has the meaning set forth in the preamble.

“**Business Day**” means a day (i) other than Saturday or Sunday, and (ii) on which commercial banks are open for business in PRC, Hong Kong and the Republic of Singapore.

“**Closing**” has the meaning set forth in Section 2.2(a).

“**Confidential Information**” has the meaning set forth in Section 11.3.

“**Constitutional Documents**” means, as to any entity, such entity’s certificate of incorporation, formation or registration (including, if relevant, certificates of change of name), memorandum of association, articles of association or incorporation, charter, by-laws, trust deed, trust instrument, partnership, operating agreement, limited liability company, joint venture or shareholders’ agreement or equivalent documents, and business license, in each case as amended.

“**Control**” of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; provided, that such power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors of such Person. The terms “**Controlled**” and “**Controlling**” have meanings correlative to the foregoing.

“**Equity Securities**” means, with respect to any Person that is a legal entity, any and all shares of capital stock, membership interests, units, profits interests, ownership interests, equity interests, registered capital, and other equity securities of such Person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing, or any contract providing for the acquisition of any of the foregoing.

“**Event of Default**” has the meaning set forth in Section 10.1.

“**Founder**” or “**Founders**” has the meaning set forth in the preamble.

“**Hong Kong**” means the Hong Kong Special Administrative Region.

“**Laws**” means any and all constitutional provision, statute, law, rule, regulation, official policy or interpretation of any governmental or regulatory authority.

“**Lender**” has the meaning set forth in the preamble.

“**Lien**” means any mortgage, pledge, lien, charge, hypothecation, security interest or other encumbrance, security agreement or arrangement of any kind, purchase or option agreement or arrangement, and agreements to create or effect any of the foregoing.

“**Loan**” has the meaning set forth in the recitals.

“**Maturity Date**” has the meaning set forth in Section 6.2.

“**Note**” has the meaning set forth in the recitals.

“**Note Documents**” means this Agreement, the Note, and any other documents, agreements and instruments entered into in connection with or contemplated by this Agreement.

“**Party**” or “**Parties**” has the meaning set forth in the preamble.

“**Person**” means any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity.

“**PRC**” means the People’s Republic of China, solely for purposes of this Agreement, excluding Hong Kong, the Macau Special Administrative Region and the islands of Taiwan.



2. **SALE AND PURCHASE OF NOTE**

**2.1 Sale and Purchase of Note.** Subject to the terms and conditions of this Agreement, at the Closing, the Borrower agrees to sell and issue to the Lender, and the Lender agrees to purchase from the Borrower, a Note in the principal amount of US\$[15,000,000], at a consideration equal to such principal amount.

**2.2 Closing**

(a) The consummation of the purchase and sale of the Note pursuant to Section 2.1 above (the “**Closing**”) shall take place remotely via the exchange of documents and signatures as soon as practicable, but in no event later than five (5) Business Days after all closing conditions (except for such conditions that will be satisfied at the Closing, but nonetheless subject to the satisfaction thereof at the Closing) specified in Section 5.1 hereof have been waived or satisfied.

(b) On the Closing,

of the Closing, and

(i) the Borrower shall deliver to the Lender the Note being purchased by the Lender duly executed by the Borrower, dated as of the date

(ii) the Lender shall pay to the Borrower the First Installment (as defined below).

**2.3 Payment of the Loan.**

The Lender shall pay to the Borrower the purchase price for the Note purchased by the Lender by wire transfer of immediately available funds to the account appointed by the Borrower in three installments:

(a) US\$[8,000,000] (the “**First Installment**”) of the Loan shall be paid at the Closing;

(b) US\$[4,000,000] (the “**Second Installment**”) of the Loan shall be paid as soon as practicable, but in no event later than five (5) Business Days after all conditions specified in Section 5.2 hereof have been waived or satisfied;

(c) US\$[3,000,000] (the “**Third Installment**”) of the Loan shall be paid as soon as practicable, but in no event later than five (5) Business Days after all conditions specified in Section 5.3 hereof have been waived or satisfied.

3. **REPRESENTATIONS AND WARRANTIES OF THE BORROWER**

The Borrower hereby jointly and severally represents, warrants and covenants to the Lender that:

**3.1 Organization, Good Standing and Qualification.**

(a) The Company is duly organized, validly existing and in good standing under the Laws of its place of organization.

(b) Each Founder is of sound mind, has the necessary legal capacity to perform his/her obligations hereunder and under any other Note Documents which he/she will enter into pursuant to the terms hereof.

(c) The Company has all requisite corporate power and authority to own its properties and assets and carry on its business as currently conducted and as proposed to be conducted

and to perform its obligation hereunder and under any agreement contemplated hereunder to which it is a party. The Company is duly qualified to transact business and is in good standing.

### 3.2 Authorization.

(a) The Borrower has, or will have prior to the Closing, obtained all necessary consents and approvals, to execute and deliver this Agreement and other Note Documents, to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby, and has duly executed and delivered this Agreement and will duly execute and deliver each of the other Note Documents to which it or he is a party. All corporate action on the part of the Borrower, its officers, directors and shareholders necessary for the authorization, execution and delivery of each of the Note Documents, the performance of all obligations of the Borrower hereunder and thereunder and the authorization, issuance and delivery of the Note, has been taken or will be taken prior to the Closing, and the Note Documents, when executed and delivered by the Borrower, shall constitute valid and legally binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and 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.

(b) Neither the execution and delivery of the Note Documents nor the performance by the Borrower of its obligations under the Note Documents (including the issuance of the Note) will: (i) violate any provisions of the Constitutional Documents of the Company; (ii) with or without the giving of notice or the passage of time, or both, violate, or be in conflict with, or constitute a default under, or cause or permit the termination or the acceleration of the maturity of, any debt or obligation of the Borrower; (iii) require notice to or the consent of any party to any agreement or commitment to which the Borrower is a party, or by which it or its properties is bound or subject; (iv) result in the creation or imposition of any security interest, lien, or other Lien upon any property or assets of the Borrower under any agreement or commitment to which he, she or it is a party, or by which he, she or it or the properties thereof are bound or subject; or (v) violate any Law or order to which the Borrower or its properties are bound or subject.

**3.3 Governmental Consents.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Borrower is required in connection with the consummation of the transactions as contemplated by the Note Documents.

**3.4 Capitalization.** 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, for the purchase or acquisition from the Company of any of its securities or any other agreements to participate in the profits of the Company. There are no outstanding rights or obligations of the Company to repurchase or redeem any of its securities. The Company is not a party or subject to any contract that affects or relates to the voting or giving of written consents with respect to, or the right to cause the registration of, any share or other security of the Company.

**3.5 Valid Issuance of Note.** The Note, when issued, sold and delivered in accordance with the terms hereof, will be duly and validly issued.

**3.6 Valid Issuance of Securities.** The securities issuable upon conversion of a Note, when issued, sold and delivered in accordance with the terms of a Note for the consideration expressed therein, will be duly and validly issued, fully paid, and non-assessable, and will be free of restrictions on transfer other than restrictions on transfer under this Agreement and under applicable securities laws.

**3.7 Litigation.** There is no action, suit, proceeding or investigation pending or currently threatened against the Borrower that questions the validity of this Agreement, the right of such

Warrantor to enter into the Note Documents, or to consummate the transactions contemplated under the Note Documents, or that might result, either individually or in the aggregate, in any material adverse changes in the assets, condition, or affairs of the Borrower, financially or otherwise, nor is the Borrower aware that there is any basis for the foregoing. The Borrower is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality.

**3.8 Absence of Required Consents; No Violations.** The Company is not in violation or default of any provision of its Constitutional Documents, or any instrument, judgment, order, writ, decree or contract to which it is a party or by which it is bound.

**3.9 Compliance with Laws.** The Company has obtained and has maintained in good standing all licenses, permits, consents and authorizations required to be obtained by it under all applicable laws necessary for the operation of its business, except for the lack of which would not reasonably be expected to have a material adverse effect on the assets, condition, or affairs of the Company, and all such licenses, permits, consents and authorizations remain in full force and effect. The Company is in compliance with all applicable laws, except for those the violation of which would not reasonably be expected to have a material adverse effect on the assets, condition, or affairs of the Company.

**3.10 No Insolvency.** The Company has not taken any steps to seek protection pursuant to any bankruptcy, reorganization, insolvency or moratorium law or any law for the relief of, or relating to, debtors, nor does the Company have any knowledge that its creditors intend to initiate involuntary bankruptcy proceedings. The Company is not as of the date hereof, and after giving effect to the transactions contemplated hereby to occur at the Closing, will not be Insolvent. For purposes of this Agreement, “**Insolvent**” means, (a) the present fair saleable value of the Company’s assets is less than the amount required to pay the Company’s total indebtedness, (b) the Company is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, or (c) the Company intends to incur or believes that it will incur debts that would be beyond its ability to pay as such debts mature.

**3.11 Tax Returns and Payments.** The Company has timely filed all tax returns required to be filed by it. All taxes shown to be due and payable on such returns, any assessments imposed, and all other taxes due and payable by the Company on or before the Closing have been paid or will be paid prior to the time they become delinquent. The Company has not been advised (a) that any of its returns, federal, state or other, have been or are being audited as of the date hereof, or (b) of any deficiency in assessment or proposed judgment with respect to its federal, state or other taxes. The Company has no knowledge of any liability of any tax to be imposed upon its properties or assets as of each Closing that is not adequately provided for.

**3.12 Full Disclosure.** Neither the Note Documents nor any other document provided to the Lender contains any untrue statement in any material respect or omits to state a fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

#### **4. REPRESENTATIONS AND WARRANTIES OF THE LENDER**

The Lender hereby represents and warrants to the Borrower as follows:

**4.1 Due Organization.** The Lender is duly incorporated, organized, validly existing and in good standing (or equivalent status in the relevant jurisdiction) under the Laws of the jurisdiction of its incorporation or organization.

**4.2 Authorization.** The Lender has full power and authority to enter into the Note Documents to which it is a party. This Agreement constitutes, and the other Note Documents to which a Lender is a party when executed and delivered by the Lender, will constitute, valid and legally binding

obligations of the Lender, enforceable 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 a specific performance, injunctive relief, or other equitable remedies.

5. CONDITIONS OF THE LENDER'S OBLIGATION.

5.1 The obligations of the Lender to consummate the Closing under Section 2 of this Agreement, unless otherwise waived in writing by the Lender, are subject to the fulfillment on or before the Closing of each of the following conditions:

(a) **Representations and Warranties.** Each of the representations and warranties of the Borrower contained in Section 3 shall be true and correct when made and shall be true and correct as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and correct as of such particular date.

(b) **Performance.** The Borrower and the Founders shall have performed and complied with all agreements, obligations and conditions contained in the Note Documents that are required to be performed or complied with by them, on or before the Closing.

(c) **Authorizations.** All consents and approvals of any competent governmental authority or of any other person that are required to be obtained by any of the Borrower or the Founders in connection with the consummation of the transactions contemplated by this Agreement (including without limitation any waivers of rights of first refusal, preemptive rights, put or call rights, or other rights triggered by the Note Documents, if any) shall have been duly obtained and effective as of the Closing.

(d) **No Material Adverse Change.** There shall have been no material adverse change or effect that, individually or when taken together with all other changes or effects, is or could likely be materially adverse to the business, assets, financial condition, operations, or capitalization of the Company.

(e) **Corporate Authorization.** All necessary resolutions of the Company shall have been passed in order to approve (a) the Note Documents, and (b) the consummation of the transactions contemplated under the Note Documents.

(f) **Formulas.** The Company shall have provided the Lender with the research documents in relation to the ingredients and effects of three (3) formulas and the samples of such formulas for testing purpose, and such formulas shall have passed the Lender's test.

5.2 The obligations of the Lender to pay the Second Installment, unless otherwise waived in writing by the Lender, are subject to the fulfillment on or before the payment of the Second Installment of each of the following conditions:

(a) **Representations and Warranties.** Each of the representations and warranties of the Borrower contained in Section 3 shall be true and correct when made and shall be true and correct as of the payment of the Second Installment with the same effect as though such representations and warranties had been made on and as of the payment of the Second Installment, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and correct as of such particular date.

(b) **Performance.** The Borrower and the Founders shall have performed and complied with all agreements, obligations and conditions contained in the Note Documents that are required to be performed or complied with by them, on or before the payment of the Second Installment.

(c) **Authorizations.** All consents and approvals of any competent governmental authority or of any other person that are required to be obtained by any of the Borrower or the Founders in connection with the consummation of the transactions contemplated by this Agreement (including without limitation any waivers of rights of first refusal, preemptive rights, put or call rights, or other rights triggered by the Note Documents, if any) shall have been duly obtained and effective as of the payment of the Second Installment.

(d) **No Material Adverse Change.** There shall have been no material adverse change or effect that, individually or when taken together with all other changes or effects, is or could likely be materially adverse to the business, assets, financial condition, operations, or capitalization of the Company.

(e) **Formulas.** The Company shall have provided the Lender with the research documents in relation to the ingredients and effects of another four (4) additional formulas and the samples of such formulas for testing purpose, and such formulas shall have passed the Lender's test.

5.3 The obligations of the Lender to pay the Third Installment, unless otherwise waived in writing by the Lender, are subject to the fulfillment on or before the payment of the Third Installment of each of the following conditions:

(a) **Representations and Warranties.** Each of the representations and warranties of the Borrower contained in Section 3 shall be true and correct when made and shall be true and correct as of the payment of the Second Installment with the same effect as though such representations and warranties had been made on and as of the date of the payment of the Second Installment, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and correct as of such particular date.

(b) **Performance.** The Borrower and the Founders shall have performed and complied with all agreements, obligations and conditions contained in the Note Documents that are required to be performed or complied with by them, on or before the payment of the Third Installment.

(c) **Authorizations.** All consents and approvals of any competent governmental authority or of any other person that are required to be obtained by any of the Borrower or the Founders in connection with the consummation of the transactions contemplated by this Agreement (including without limitation any waivers of rights of first refusal, preemptive rights, put or call rights, or other rights triggered by the Note Documents, if any) shall have been duly obtained and effective s of the payment of the Third Installment.

(d) **No Material Adverse Change.** There shall have been no material adverse change or effect that, individually or when taken together with all other changes or effects, is or could likely be materially adverse to the business, assets, financial condition, operations, or capitalization of the Company.

(e) **Formulas.** The Company shall have provided the Lender with the research documents in relation to the ingredients and effects of another seven (7) additional formulas and the samples of such formulas for testing purpose, and such formulas shall have passed the Lender's test.

6. **TERMS OF THE NOTE**

6.1 **Interest.** The Lender agrees that the Loan shall bear no interest.

**6.2 Maturity Date.** Unless the outstanding principal of the Note is otherwise converted into shares or otherwise provided in this Agreement, the outstanding principal amount of the Note shall be immediately due and payable in full upon demand by the holder of the Note on the earlier of (i) December 31, 2023 (the detailed Initial Repayment Plan is set forth in Section 6.4(a)), and (ii) the acceleration of the maturity of the Note by the holder upon the occurrence of an Event of Default or in accordance with Section 5 hereof (such earlier date, the “**Maturity Date**”).

**6.3 Prepayment of Note.** The Note may not be prepaid without the prior written consent of the Lender.

**6.4 Repayment; Conversion.**

(a) The initial repayment plan (the “**Initial Repayment Plan**”) shall be as follows:

- (i) US\$[4,000,000] of the Loan shall become due and payable by the Company in equal installments at the end of each quarter in the year of 2021;
- (ii) US\$[8,000,000] of the Loan shall become due and payable by the Company in equal installments at the end of each quarter in the year of 2022;
- (iii) US\$[3,000,000] of the Loan shall become due and payable by the Company in equal installments at the end of each quarter in the year of 2023;

(b) The Lender will conduct evaluations on the Company on a semi-annual basis. The Company shall provide the Lender with such information relating to the business and financial condition, properties, operations and prospects of the Company and its investments as the Lender may from time to time reasonably request, and upon the Lender giving the Company at least [10] days' notice in writing requesting for such information. The Lender agrees that it shall not use such information for any purposes other than for the purposes of evaluating its investment in the Company pursuant to this Agreement.

Based on the evaluation result, the Lender shall be entitled to:

- (i) require the Company to make immediate repayment of all the then due and outstanding amount of the Loan in accordance with the Initial Repayment Plan; or
- (ii) convert the then outstanding Loan into the shares of the Company at a fixed total valuation of the Company as follows:
  - (1) in case the Lender elects to convert the Loan into the shares in the year of 2021, such valuation shall be US\$60,000,000;
  - (2) in case the Lender elects to convert the Loan into the shares in the year of 2022, such valuation shall be US\$70,000,000; or
  - (3) in case the Lender elects to convert the Loan into the shares in the year of 2023, such valuation shall be US\$80,000,000; or
- (iii) postpone the repayment of each installment of all the outstanding Loan under the Initial Repayment Plan for six (6) months until the next evaluation conducted by the Lender.

7. TRANSFER AND EXCHANGE OF NOTE

7.1 Transfer.

(a) Subject to compliance with the applicable Laws, the Borrower shall not be entitled to transfer the Note or assign any of their respective rights or obligations hereunder to any third party unless with the prior written consent of the Lender.

(b) In connection with any transfer of a Note and at all other times hereunder, the holder of the Note shall be entitled to surrender the Note to the Borrower together with a written request for the issuance of one or more new Note, specifying the denomination or denominations thereof and, in the case of a transfer of a Note, the name and address of the new transferee or transferees. Within five (5) Business Days thereafter, the Borrower shall issue a new Note in the same form and in the same aggregate principal amount as the Note being surrendered, to the person(s) specified in the written request from the holder. Each Note presented or surrendered for reissuance and registration of a new Note shall be endorsed, or, in the case of a transfer of a Note, shall be accompanied by a duly executed written instrument of transfer in an appropriate form. The holder of a Note shall be responsible for any transfer taxes associated with the transfer of the Note.

(c) The Note shall be issued or reissued in the same form (with such changes as may be necessary to reflect the different principal amounts) and shall rank pari passu among themselves.

7.2 **Mutilated, Destroyed, Lost or Stolen Note.** In case a Note shall become mutilated or defaced, or be destroyed, lost or stolen, the Borrower shall execute and deliver a new Note of like principal amount in exchange and substitution for the mutilated or defaced Note, or in lieu of and in substitution for the destroyed, lost or stolen Note. In the case of a mutilated or defaced Note, the holder thereof shall surrender such Note to the Borrower. In the case of any destroyed, lost or stolen Note, the holder thereof shall furnish to the Borrower: (i) evidence to the Borrower's satisfaction of the destruction, loss or theft of the Note and (ii) such security or indemnity as may be reasonably required by the Borrower.

8. AFFIRMATIVE COVENANTS.

8.1 **Advice of Change.** So long as the Note remains outstanding, the Company shall deliver to the holder of the Note a written notice as soon as possible, but in any event within five (5) Business Days after the Company learns of (x) any event occurring or circumstances arising subsequent to the date hereof that would render any representation or warranty set forth in Section 3 untrue or inaccurate in any material respects, or (y) any breach of any covenant or obligations of the Borrower or the Founders under the Note Document in any material respect.

8.2 The Company and the Founders hereby jointly and severally covenant to the Lender that, (x) during the period of three (3) years from the date hereof, the Company shall provide the Lender with the research documents in relation to the ingredients and effects of a total of at least thirty-two (32) formulas and the samples of such formulas for testing purpose, all of which shall pass the Lender's test, and (y) the aforementioned thirty-two (32) formulas include the fourteen (14) formulas which have been developed by the Company and eighteen (18) formulas to be developed, and 20%-25% of those eighteen (18) formulas to be developed shall be [Chinese herbal medicine formulas] (collectively, the "Commitments").

(a) If all the Commitments are fulfilled, the Lender shall be entitled to:

(i) require immediate repayment of all of the then outstanding Loan, or if the Company is not able to repay the then outstanding Loan, purchase one or more formulas developed by the Company at the price of US\$[500,000] per formula; or

(ii) convert the then outstanding Loan into the shares of the Company at the pre-investment valuation of the Company of not less than US\$[100,000,000].

(b) If any of the Commitments is not fulfilled, the Lender shall be entitled to:

(i) require immediate repayment of all of the then outstanding Loan, or if the Company is not able to repay the then outstanding Loan, purchase one or more formulas developed by the Company at the price of US\$[500,000] per formula; or

(ii) convert the then outstanding Loan into the shares of the Company at the pre-investment valuation of the Company of not more than US\$[70,000,000].

## 9. NEGATIVE COVENANTS

**9.1 Prohibited Actions of the Borrower.** The Borrower hereby covenants and agrees not to take any of the following actions or engage in any of the following activities without the prior written consent of the holder of the Note unless otherwise agreed herein:

(a) (A) so long as the Note is outstanding, any public offering of any Equity Securities of the Company or (B) any merger, amalgamation, scheme or arrangement, reorganization, restructuring, or consolidation of the Company with any Person, or the purchase or other acquisition by the Company of all or substantially all of the assets, equity or business of another Person;

(b) so long as the Note is outstanding, (A) any declaration, set aside or payment of a dividend or other distribution by the Company except for any distribution or dividend with respect to which the sole recipient of any proceeds therefrom is the Borrower or any wholly-owned subsidiary of the Borrower, or the adoption of, or any change to, the dividend policy of the Company or (B) any purchase, repurchase, redemption or retirements of any Equity Security of the Company;

(c) so long as the Note is outstanding, (A) any liquidation, winding up, dissolution, reorganization, or arrangement of the Company, (B) any cessation of business of the Company, or (C) any commencement of or consent to any proceeding seeking (i) to adjudicate the Company as bankrupt or insolvent, (ii) liquidation, winding up, dissolution, reorganization, or arrangement of the Company under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or (iii) the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property; or

(d) so long as the Note is outstanding, any solicitation or entry into of any convertible note or debt financing or any other transaction similar in commercial effect to the Note Documents, or otherwise incur any indebtedness in excess of US\$[250,000].

## 10. EVENT OF DEFAULT.

**10.1 Event of Default.** For purposes of this Agreement and the other Note Documents, the occurrence of any of the following shall constitute an “Event of Default”:

(a) The failure to make any payment of the principal amount of the Note when due;

(b) Any representation or warranty by the Borrower under or in connection with the Note Document shall prove to have been incorrect in any material respect when made or deemed made;



(c) The failure of the Borrower or the Founders to perform or observe any other material term, covenant, condition, obligation or agreement contained in the Note Document, which failure shall remain unremedied for a period of ten (10) days after written notice thereof from the Lender;

(d) (1) The filing of a petition by or against the Company under the bankruptcy code of any jurisdiction relating to bankruptcy, insolvency or other relief for debtors; or an order for relief is entered with respect to any proceedings under any bankruptcy Laws or similar Laws providing for relief from creditors; (2) The Company shall: (i) liquidate, wind up or dissolve (or suffer any liquidation, wind up or dissolution); (ii) suspend its operations other than in the ordinary course of business; (iii) become insolvent; (iv) appoint a receiver, trustee, custodian or liquidator of or for all or any part of the assets or property of the Company; (v) make a general assignment for the benefit of creditors of the Company; or (vi) take any corporate action to authorize or commence any proceeding under any reorganization, bankruptcy, insolvency, arrangement, readjustment of debt, dissolution or liquidation Law or statute of any jurisdiction, now or in the future in effect, except, in the case of each of the foregoing, those approved in advance by the Lender; (3) The commencement of any proceeding against the Company under any reorganization, bankruptcy, insolvency, arrangement, readjustment of debt, dissolution or liquidation Law or statute of any jurisdiction, now or in the future in effect, which commencement is not dismissed within sixty (60) days; (4) a proceeding is commenced to foreclose a security interest or lien on any material property or assets of the Company as a result of a default in the payment or performance of any material debt of the Company for borrowed money; (5) a final judgment for the payment of money is entered against the Company by a court of competent jurisdiction and such judgment is not discharged in accordance with its terms within sixty (60) days after the date such judgment is entered and within such period an appeal therefrom has not been prosecuted and the execution thereof caused to be stayed during such appeal; (6) an attachment or garnishment is levied against the material portion of the assets or properties of the Company and such levy is not vacated or otherwise terminated within sixty (60) days after the date of its effectiveness; or (7) the Company defaults in the due observance or performance of any material covenant, condition or agreement on the part of the Company to be observed or performed pursuant to the terms of, or breaches any material representations and warranties given with respect to the Note Documents within thirty (30) days after written notice from the non-breaching party thereunder to observe or perform the obligation thereof.

The Lender is not required to deliver a notice of such Event of Default to the Borrower to evidence the knowledge of any Event of Default under this Section 10.1.

## **10.2 Rights and Remedies upon Occurrence of Event of Default.**

(a) Upon the occurrence and during the continuation of any Event of Default, in addition to any other remedies allowed by Law, the unpaid principal amount of the Note and all other amounts payable (including without limitation the accrued and unpaid interest) under the Note Documents may be declared by the holder of the Note at their election in writing to be immediately due and payable, whereupon such acceleration the unpaid principal amount of the Note and all such other amounts thereon shall become immediately due and payable without presentment, demand, protest or further notice of any kind. The holder of the Note, in their sole discretion, may proceed to enforce all other rights and remedies available to it pursuant to the other Note Documents and under applicable Law, if the due but unpaid principal amount of the Note has not been paid within three (3) Business Days after the above declaration by the holder.

(b) Any acceleration of the payment obligations of the Borrower under this Section may be waived with the written consent of the holder of the Note.

**11. OTHER COVENANTS AND AGREEMENTS.**

**11.1 Use of Proceeds.** Commencing on a date that is specified by the holder in writing to the Borrower, the principal amount of the Note shall only be used for the R&D (research and development) and operation of the Company.

**11.2 Indemnity.** The Borrower and the Founders shall indemnify and hold harmless the Lender from any loss, cost, liability and reasonable legal or other expense, including reasonable attorneys' fees of the Lender's counsel, which the Lender have directly or indirectly suffered or incurred by reason of the failure of the Borrower or the Founders to perform any of its obligations under the Note Documents.

**11.3 Confidentiality.** Each of the Borrower, the Founders and the Lender agrees that, except with the prior written permission of the applicable Party, it shall at all times keep confidential and not divulge, furnish or make accessible to anyone any confidential information, knowledge or data concerning or relating to the business or financial affairs of the other parties to which such Party has been or shall become privy by reason of this Agreement, discussions or negotiations relating to this Agreement, the performance of its obligations hereunder or the ownership of the Note purchased hereunder (the "**Confidential Information**"); provided, however, that Confidential Information shall not include (i) information which has entered the public domain without the receiving Party's fault or negligence, (ii) such information available to the public generally or (iii) as otherwise required by Law pursuant to any other regulatory process to which the receiving Party is subject. Notwithstanding the foregoing, each of the Borrower, the Founders and the Lender may disclose Confidential Information to its employees, attorneys, general partners, limited partners, Affiliates or agents, and in particular, the Lender shall be entitled to disclose the Confidential Information and any other information and/or materials provided to them by the Borrower or the Founders for the purposes of fund reporting or inter-fund reporting or to their fund manager, other funds managed by their fund manager and their respective auditors, counsel, directors, officers, employees, shareholders and investors. The provisions of this Section 11.3 shall be in addition to, and not in substitution for, the provisions of any separate nondisclosure agreement executed by the Parties hereto with respect to the transactions contemplated hereby.

**12. MISCELLANEOUS**

**12.1 Fees and Expenses.** Each of the Parties hereto shall bear its own costs and expenses in connection with the negotiation, execution, delivery and performance of this Agreement and the other Note Documents and the transactions contemplated hereby and thereby, except that the Borrower shall reimburse counsel for the Lender for fees incurred in connection with the transactions contemplated by this Agreement.

**12.2 Successors and Assigns; Assignments.**

**(a) Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the Borrower, the Founders and the Lender, all future holders of the Note, all other Party to this Agreement and their respective successors and assigns, except that the Borrower and the Founders may not assign or transfer any of their respective rights or obligations under this Agreement without the prior written consent of the Lender.

**(b) Assignments.** Except as otherwise explicitly specified herein, no Party shall assign or transfer any of their rights or obligations under this Agreement, the relevant Note and any other Note Documents without the prior written consents from the other Parties.

**(c) No Third Party Beneficiary.** Nothing in this Agreement, express or implied, is intended to confer upon any third party any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

**12.3 Governing Law.** This Agreement shall be governed by and construed under the Laws of Singapore without regard to principles of conflict of laws.

**12.4 Dispute Resolution.**

(a) Any dispute, controversy or claim arising out of, in connection with or relating to this Agreement, including the interpretation, validity, invalidity, breach or termination thereof, shall be settled by arbitration.

(b) The arbitration shall be conducted in Hong Kong under the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the notice of arbitration is submitted in accordance with the said Rules. The number of arbitrators shall be one (1), to be appointed, on the request of any party, by the Chairman of the Hong Kong International Arbitration Centre (as the appointing authority). The arbitration shall be conducted in the English language.

(c) When any dispute occurs and when any dispute is under arbitration, except for the matters in dispute, the Parties shall continue to fulfill their respective obligations and shall be entitled to exercise their rights under this Agreement.

(d) The award of the arbitration tribunal shall be final and binding upon the Parties, and the prevailing Party may apply to a court of competent jurisdiction for enforcement of such award.

(e) Regardless of anything else contained herein, any Party shall be entitled to seek preliminary injunctive relief from any court of competent jurisdiction pending the conclusion of the arbitration.

**12.5 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.

**12.6 Notices.** Any notice required or permitted pursuant to this Agreement shall be given in writing and shall be given either personally or by sending it by express courier service, fax, electronic mail or similar means to the address as shown below the signature of such Party on the signature page of this Agreement (or at such other address as such Party may designate by fifteen (15) days' advance written notice to the other Parties to this Agreement given in accordance with this [Section 12.6](#)). Where a notice is sent by express courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by express service through an internationally-recognized courier a letter containing the notice, with a confirmation of delivery, and to have been effected at the expiration of three (3) days after the letter containing the same is sent as aforesaid. Where a notice is sent by fax or electronic mail, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as aforesaid.

**12.7 Entire Agreement.** This Agreement, the other Note Documents and the exhibits and schedules hereto and thereto constitute the full and entire understanding and agreement among the Parties with regard to the subjects hereof, and supersede any prior agreements between the Parties regarding the subject matter hereof.

**12.8 Amendments and Waivers.** Any term of this Agreement or the Note may be amended and the observance of any term of this Agreement or the Note may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Lender and the Borrower. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each Party.

**12.9 Further Assurances.** Each of the Parties agrees to execute and deliver, by the proper exercise of its corporate power, all such other and additional instruments and documents and do all such other acts and things as may be necessary to effectuate the transactions contemplated by the Note Documents.

**12.10 Severability.** Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be valid, legal and enforceable under all applicable Laws. If, however, any provision of this Agreement shall be invalid, illegal or unenforceable under any such Law in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such Law, or, if for any reason it is not deemed so modified, it shall be invalid, illegal or unenforceable only to the extent of such invalidity, illegality or limitation on enforceability without affecting the remaining provisions of this Agreement, or the validity, legality or enforceability of such provision in any other jurisdiction.

*[The remainder of this page has been intentionally left blank.]*

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**BORROWER:**

**ANZE PREMIUM HEALTH AND BEAUTY PTE. LTD.**

By:           /s/ MA LING            
Name: MA LING  
Title: Director  
Address:

Signature Page

Note Purchase Agreement

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**FOUNDERS:**

By: /s/ ZHANG HUIZHI  
Name: ZHANG HUIZHI  
Address:

By: /s/ TANG YUE  
Name: TANG YUE  
Address:

By: /s/ MA LING  
Name: MA LING  
Address:

Signature Page

Note Purchase Agreement

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**LENDER:**

**ECMOHO (Hong Kong) Health Technology Limited**

By: /s/ ZENG QING CHUN  
Name: ZENG QING CHUN  
Title: Director  
Address:

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Signature Page

Note Purchase Agreement

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**SCHEDULE I**

**LIST OF THE FOUNDERS**

<b>Name</b>	<b>Address and Email</b>
ZHANG HUIZHI	Address: 3F NO 5 LANE 693 XINHUA ROAD CHANGNING DISTRICT SHANGHAI CITY CHINA
TANG YUE	Address: ROOM 603 NO 37 GUMEIBA VILLAGE MINHANG DISTRICT SHANGHAI CITY CHINA
MA LING	Address: 7 FERVALE CLOSE #10-15 LUSH ACRES SINGAPORE (797488)



**EXHIBIT A**

**Form of Promissory Note**

Exhibit A

Note Purchase Agreement

## List of Significant Subsidiaries and VIE

1.	ECMOHO (Hong Kong) Health Technology Limited	Hong Kong
2.	ECMOHO (Hong Kong) Limited	Hong Kong
3.	ECMOHO Co., Ltd.	Japan
4.	ECMOHO Co., Ltd.	Korea
5.	Yiling (Shanghai) Information Technology Co., Ltd.	PRC
6.	Import-It Corp.	BVI
7.	Yipinda (Shanghai) Health Technology Co., Ltd.	PRC
8.	Shanghai ECMOHO Health Biotechnology Co, Ltd.	PRC
9.	Shanghai Ranyao Marketing Technology Co., Ltd.	PRC
10.	Jianyikang Health Technology (Shanghai) Co., Ltd.	PRC
11.	Shanghai Tonggou Information Technology Co., Ltd.	PRC
12.	Hangzhou Duoduo Supply Chain Management Co., Ltd.	PRC
13.	Shanghai ECMOHO Health Technology Co., Ltd.	PRC
14.	Yijiasancan (Shanghai) E-commerce Co., Ltd.	PRC
15.	Shanghai Yibo Medical Equipment Co., Ltd.	PRC
16.	Shanghai Juyi Information Technology Co., Ltd.	PRC

**Certification by the Principal Executive Officer**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Zoe Wang, certify that:

1. I have reviewed this annual report on Form 20-F of ECMOHO 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 Rule 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.

April 30, 2021

By: /s/ Zoe Wang  
Name: Zoe Wang  
Title: Chief Executive Officer



**Certification by the Principal Executive Officer**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of ECMOHO Limited (the "Company") on Form 20-F for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Zoe Wang, Chief Executive Officer of the Company, 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) 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.

April 30, 2021

By: /s/ Zoe Wang  
Name: Zoe Wang  
Title: Chief Executive Officer



April 30, 2021

To: ECMOHO Limited  
3rd Floor, 1000 Tianyaoqiao Road  
Xuhui District  
Shanghai, 200030  
The People's Republic of China

Dear Sir/Madam,

We hereby consent to the references to our firm's name under the headings "Item 3 Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure", "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our Variable Interest Entity" and "Item 10. Additional Information—E. Taxation—People's Republic of China Taxation" in ECMOHO Limited's annual report on Form 20-F for the year ended December 31, 2020 (the "Annual Report"), which will be filed with the Securities and Exchange Commission (the "SEC") on the date hereof, and further consent to the incorporation by reference of the summaries of our opinion under these headings into the Registration Statement on Form S-8 (File No. 333-236027) that was filed on January 23, 2020. We also consent to the filing of this consent letter with the SEC 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 sincerely,

/s/ Commerce & Finance Law Offices  
Commerce & Finance Law Offices

30 April 2021

Our Ref: JWYL/SSNC/E2208-H20600

The Board of Directors  
ECMOHO Limited  
3rd Floor, 1000 Tianyaoqiao Road  
Xuhui District  
Shanghai, 200030  
The People's Republic of China

Dear Sir or Madam

**ECMOHO Limited****FORM 20-F**

We consent to the reference to our firm under the heading "Item 10. Additional Information—E. Taxation" in the Annual Report on Form 20-F of ECMOHO Limited for the year ended 31 December 2020 (the "**Annual Report**"), which will be filed with the U.S. Securities and Exchange Commission (the "**Commission**") on 30 April 2021 under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

We also consent to the filing with the Commission of this consent letter 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 the Exchange Act, or the Rules and Regulations of the Commission thereunder.

Yours faithfully

**/s/ WALKERS (HONG KONG)****WALKERS (HONG KONG)**



**FRIEDMAN LLP<sup>®</sup>**

ACCOUNTANTS AND ADVISORS

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Form S-8 Registration Statement pertaining to the 2018 Omnibus Incentive Plans of ECMOHO Limited of our report dated April 30, 2021 relating to the consolidated balance sheet of ECMOHO Limited as of December 31, 2020, and the related consolidated statements of operations and comprehensive income/(loss), changes in shareholders'(deficit)/equity and cash flows for the year ended December 31, 2020 filed with the Securities and Exchange Commission on April 30, 2021 on Form 20-F.

/s/ Friedman LLP

New York, New York  
April 30, 2021

1700 Broadway, New York, NY 10019 p 212.842.7000 f 212.842.7001

[friedmanllp.com](http://friedmanllp.com)

Your livelihood, empowered.

An Independent Member Firm of DFK with offices worldwide. 

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-236027) of ECMOHO Limited of our report dated June 12, 2020 relating to the financial statements, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP  
Shanghai, the People's Republic of China  
April 30, 2021

April 30, 2021

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549

Commissioners:

We have read the statements made by ECMOHO Limited, which we understand will be filed with the Securities and Exchange Commission, pursuant to Item 16F of the Annual Report on Form 20-F for the year ended December 31, 2020 of ECMOHO Limited dated April 30, 2021. We agree with the statements concerning our Firm contained therein.

Very truly yours,

/s/PricewaterhouseCoopers Zhong Tian LLP  
Shanghai, the People's Republic of China