IMPACT OF COVID-19

The COVID-19 pandemic has caused an adverse impact on the Chinese and global economy, as well as the e-commerce industry. Nevertheless, we were still able to achieve 25.1% and 22.9% year-over-year increase in our GMV and net revenues in the six months ended June 30, 2020, respectively, compared with the corresponding period of 2019, due to our continual efforts in empowering our brand partners through our industry-leading technology capabilities. The negative impact of the COVID-19 pandemic on us was primarily in the first quarter of 2020, during which we incurred incremental costs associated with the pandemic, such as incremental fulfillment expenses primarily due to interruptions to logistics services and higher labor cost for temporary fulfillment staff as a result of COVID-19 and incremental general and administrative expenses primarily due to extra labor cost, purchase of COVID-19 supplies and cost for disinfection. Such incremental costs have caused our income from operations and net income for the three months ended March 31, 2020 to decrease. As the Chinese economy and e-commerce industry started to recover from COVID-19 in the second quarter of 2020, the negative impact of COVID-19 on us diminished and we achieved year-over-year growth in our income from operations and net income in the six months ended June 30, 2020. However, the extent to which the COVID-19 outbreak may continue to adversely affect the macro-economic environment as well as our business, results of operations and financial condition remains uncertain, and will depend on future developments, including the duration, severity and reach of the COVID-19 outbreak, and actions taken to contain the outbreak or treat its impacts. We cannot assure you that, for the year ended December 31, 2020, we will be able to achieve the same level of net income that we previously achieved. See "Risk Factors — Risks Related to Our Business — Any occurrence of a natural disaster, health epidemic or similar development could have a material adverse effect on our business. In particular, the COVID-19 pandemic had and may continue to have a negative impact on our business, results of operations and financial condition." Despite the uncertainty of the economic environment, our cash and cash equivalent and available banking facilities are sufficient to maintain our financial viability for at least the next 12 months.

U.S. REGULATORY UPDATE

On May 20, 2020, the U.S. Senate passed S. 945, the Holding Foreign Companies Accountable Act (the "**HFCA Act**"). If passed by the U.S. House of Representatives and signed by the U.S. President, the HFCA Act could cause investor uncertainty for affected issuers, including us, the market price of our ADSs could be adversely affected, and our ADSs could be prohibited from trading on or we could be delisted from Nasdaq if we are unable to meet the PCAOB inspection requirement proposed by the HFCA Act in time. On July 21, 2020, the House of Representatives passed its version of the National Defense Authorization Act for Fiscal Year 2021, which included provisions similar to the HFCA Act. On August 6, 2020, the President's Working Group released a report titled "Protecting United States Investors from

Significant Risks from Chinese Companies" in response to President Trump's request. For additional information, see "Risk Factors — Risks related to Our Shares, ADSs and the Listing — Our auditor of the consolidated financial statements included in our annual report on Form 20-F filed with the SEC, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by the PCAOB, and consequently you are deprived of the benefits of such inspection. In addition, various legislative and regulatory developments related to U.S.-listed China-based companies due to lack of PCAOB inspection may have a material adverse impact on our listing and trading in the U.S. and the trading prices of our ADSs and/or Shares."