

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

FORM 20-F

(Mark One)

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 March 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 001-38852

RUHNN HOLDING LIMITED

(Exact name of Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

**11F, Building 2, Lvgu Chuangzhi Development Center
788 Hong Pu Road
Jiangan District, Hangzhou 310016
People's Republic of China**

(Address of principal executive offices)

Jacky Jinbo Wang, Chief Financial Officer

Telephone: +86-571-2888-9393

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At the address of the Company set forth above

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing five Class A ordinary shares	RUHN	The Nasdaq Stock Market LLC
Class A ordinary shares, par value US\$0.000000001 per share*	N/A	The Nasdaq Stock Market LLC

* Not for trading, but only in connection with the listing on The Nasdaq Stock Market of American depository 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.

246,122,394 Class A ordinary shares were outstanding as of March 31, 2020

174,834,250 Class B ordinary shares were outstanding as of March 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 definitions 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 which basis of accounting the registration has used to prepare the financial statements included in this filing:

U.S. GAAP

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

Other

If "Other" has been checked in response to the previous question, indicate by check mark which consolidated 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 Securities Exchange Act of 1934).

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.

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CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT ON FORM 20-F

Except where the context otherwise requires, references in this annual report to:

- “ADRs” are to the American depositary receipts, which, if issued, evidence our ADSs;
- “ADSs” are to our American depositary shares, each of which represents five Class A ordinary shares;
- “AI” are to artificial intelligence;
- “China” and the “PRC” are to the People’s Republic of China, excluding, for the purposes of this annual report only, Taiwan, the Hong Kong Special Administrative Region or Hong Kong, and the Macao Special Administrative Region;
- “AI Data” are to an AI solution developed by one of our investee companies that improves fashion design process;
- “Equity Restructuring” are to a series of equity transactions that our company, our founders and the institutional shareholders of Hangzhou Ruhnn Holdings Co., Ltd., or Hangzhou Ruhnn, effected in October 2018 to re-domicile the holding entity of our business from the PRC to the Cayman Islands as described in more detail under “Item 4. Information on the Company — A. History and Development of the Company” section of this annual report;
- “fans” are to followers to KOLs on social media platforms and e-commerce platforms, and references to the number of fans in this annual report are to the simple sum of the followers of the relevant KOL(s) on different social media platforms and e-commerce platforms, and therefore, a single fan may be included multiple times if the fan follows more than one KOL, follows the same KOL across multiple platforms, or both;
- “fiscal year” is to the period from April 1 of the previous calendar year to March 31 of the concerned calendar year;
- “GMV” is to gross merchandize value, which represents the aggregate value of merchandize ordered in our online stores and third-party online stores to which we provide KOL sales services (but not including online stores to which we only provide KOL advertising services and other services), regardless of whether the merchandise is actually sold, delivered or returned. Our calculation of GMV includes shipping charges paid by buyers. GMV of third-party online stores to which we provide KOL sales services includes the GMV of all products ordered in such stores because we generally provide KOL sales services for all products sold in such stores; Since January 2019, we have provided KOL sales services for specified products in certain third-party online stores, and in such cases, only the GMV of such products for which we provided KOL sales services are included in our GMV for the relevant period;
- “Hangzhou Dayi Minority Interest Acquisition” are to the transactions completed in March 2019, whereby we acquired the remaining 49% of equity interests in Hangzhou Dayi from Hangzhou Wunai Yidui Trade Co., Ltd., a company wholly owned by Yi Zhang, and issued 44,165,899 ordinary shares, which have been re-designated as Class A ordinary shares, to China Himalaya Investment Limited, a company wholly owned by Yi Zhang;
- “Hangzhou Ruhnn” are to Hangzhou Ruhnn Holdings Co., Ltd., a joint stock limited liability company established under the laws of the PRC;
- “KOLs” are to key opinion leaders, also known as influencers;
- “number of our KOLs’ fans” are to the simple sum of fans of all of our KOLs on all major social media platforms and e-commerce platforms, and as a result, if an individual is a fan of more than one KOL or is a fan of a KOL on multiple social media platforms and e-commerce platforms, he or she will be counted multiple times;
- “ordinary shares” are to our Class A and Class B ordinary shares, par value 0.000000001 per share;
- “ordinary shares issued and outstanding” are to our ordinary shares issued and outstanding;
- “our company” are to Ruhnn Holding Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands;
- “our KOLs” or “our signed KOLs” are to KOLs who have entered into cooperation agreements with us;
- “RMB” or “Renminbi” are to the legal currency of China;
- “US\$,” “U.S. dollars,” or “dollars” are to the legal currency of the United States;
- “variable interest entity,” “VIE” or “Hanyi E-Commerce” is to Hangzhou Hanyi E-Commerce Co., Ltd., a limited liability company established under the laws of the PRC and 100% owned by PRC citizens and entities; and
- “we,” “us,” “our” and “ruhnn” are to (i) prior to the consummation of the Equity Restructuring on October 4, 2018, our predecessor, Hanyi E-Commerce, and its consolidated subsidiaries, and (ii) following the consummation of the Equity Restructuring, our company and its consolidated subsidiaries and affiliated entities.

The translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this annual report were made at a rate of RMB7.0808 to US\$1.00, the exchange rates set forth in the H.10 statistical release of the Federal Reserve Board on March 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. On August 7, 2020, the noon buying rate for Renminbi was RMB6.9670 to US\$1.00.

We listed our ADSs on the Nasdaq Global Select Market under the symbol “RUHN” on April 3, 2019.

This annual report on Form 20-F contains statements of a forward-looking nature. All statements other than statements of historical facts are forward-looking statements. These forward-looking statements are made under the “safe harbor” provision under Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and as defined in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. These forward-looking statements relate to, among others:

- our goals and growth strategies;
- our future business development, financial condition and results of operations;
- trends in the internet KOL facilitator industry in the PRC and globally;
- competition in our industry;
- fluctuations in general economic and business conditions in China and other regions where we operate;
- the regulatory environment in which we and companies integral to our ecosystem operate;
- our proposed use of proceeds from this offering; and
- assumptions underlying or related to any of the foregoing.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

You should read these statements in conjunction with the risks disclosed in “Item 3. Key Information—D. Risk Factors” of this annual report and other risks outlined in our other filings with the Securities and Exchange Commission, or the SEC. Moreover, we operate in an emerging and evolving environment. New risks may emerge from time to time, and it is not possible for our management to predict all risks, nor can we assess the impact of such risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ materially from those contained in any forward-looking statements. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we have referred to in this annual report, completely and with the understanding that our actual future results may be materially different from what we expect.

PART I.

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

The following selected combined and consolidated statements of operations data and selected combined and consolidated statements of cash flows data for fiscal years ended March 31, 2018, 2019 and 2020, and selected combined and consolidated balance sheets data as of March 31, 2019 and 2020 have been derived from our combined and consolidated financial statements included elsewhere in this annual report. The selected combined and consolidated statements of operations data and selected combined and consolidated statements of cash flows data for the year ended December 31, 2017, and the selected combined and consolidated balance sheet data as of March 31, 2017 and 2018 have been derived from our audited combined and consolidated financial statements that are not included in this annual report.

You should read the following summary combined and consolidated financial data in conjunction with our combined and consolidated financial statements and the related notes included elsewhere in this annual report and “Item 5. Operating and Financial Review and Prospects.” Our combined and consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results do not necessarily indicate our results expected for any future periods.

Selected Combined and Consolidated Statements of Operations Data

	Year Ended March 31,				
	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	US\$
	(Amounts in thousands, except share data)				
Net revenue:					
Product sales	572,445	912,512	942,781	992,603	140,182
Services	5,458	35,068	150,657	303,247	42,827
Total net revenue	577,903	947,580	1,093,438	1,295,850	183,009
Cost of revenue:					
Cost of product sales	362,609	625,263	683,057	675,494	95,398
Cost of services	2,619	18,122	68,336	130,647	18,451
Total cost of revenue	365,228	643,385	751,393	806,141	113,849
Gross profit	212,675	304,195	342,045	489,709	69,160
Operating expenses:					
Fulfillment	69,412	100,071	126,850	134,852	19,045
Sales and marketing	97,814	146,207	205,660	305,157	43,096
General and administrative	67,106	130,977	92,004	167,786	23,696
Other operating loss (income), net	168	(709)	(927)	(627)	(89)
Total operating expenses	234,500	376,546	423,587	607,168	85,748
Loss from operations	(21,825)	(72,351)	(81,542)	(117,459)	(16,588)
Other income (loss):					
Interest income	42	88	595	21,912	3,095
Interest expense	(1,574)	-	(107)	(58)	(8)
Other income, net	-	-	7,600	3,145	444
Foreign exchange gain (loss)	56	(241)	34	3,391	479
Loss before income taxes	(23,301)	(72,504)	(73,420)	(89,069)	(12,578)
Income tax expense	15,243	15,843	10,413	8,724	1,232
Share of loss in equity method investments	(1,593)	(1,607)	(1,090)	-	-
Net loss	(40,137)	(89,954)	(84,923)	(97,793)	(13,810)
Less: Net income (loss) attributable to non-controlling interest	15,246	14,051	(11,677)	(5,302)	(749)
Net loss attributable to ruhnn	(55,383)	(104,005)	(73,246)	(92,491)	(13,061)
Net loss per ADS, basic and diluted (each ADS represents five ordinary shares)	(0.87)	(1.63)	(1.14)	(1.11)	(0.16)
Weighted average shares used in in calculating net loss per ordinary share:					
Basic and diluted	319,406,760	319,406,760	321,584,804	415,523,933	415,523,933
Weighted average shares used in in calculating net loss per ADS:					
Basic and diluted	63,881,352	63,881,352	64,316,961	83,104,787	83,104,787
Supplemental non-GAAP information:(1)					
Adjusted net loss attributable to ruhnn	(55,383)	(104,005)	(73,246)	(13,554)	(1,914)
Adjusted net loss per ADS, basic and diluted	(0.87)	(1.63)	(1.14)	(0.16)	(0.02)

(1) See "Non-GAAP Financial Measures" below.

Non-GAAP Financial Measures

We use non-GAAP measures, such as adjusted net loss attributable to ruhnn and adjusted basic and diluted net loss per ADS, in evaluating our operating results and for financial and operational decision-making purposes. We believe that the non-GAAP financial measures help identify underlying trends in our business by excluding the impact of noncash charges of amortization expense of intangible assets in relation to exclusive cooperation rights and share-based compensation expense, and litigation costs incurred in relation to the class action. We believe that the non-GAAP financial measures provide useful information about our results of operations, 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 our financial and operational decision-making.

The non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. The non-GAAP financial measures have limitations as analytical tools, and when assessing our performance, investors should not consider them in isolation, or as a substitute for financial information prepared in accordance with U.S. GAAP.

We mitigate these limitations by reconciling the non-GAAP financial measures to the most comparable U.S. GAAP performance measures, all of which should be considered when evaluating our performance.

A reconciliation of these non-GAAP financial measures in fiscal years 2017, 2018, 2019 and 2020 to the nearest U.S. GAAP performance measures is provided below:

	Year Ended March 31,				
	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	US\$
	(Amounts in thousands, except share data)				
Net loss attributable to ruhnn	(55,383)	(104,005)	(73,246)	(92,491)	(13,061)
Amortization expense of intangible assets in relation to exclusive cooperation rights	-	-	-	20,600	2,909
Share-based compensation expense	-	-	-	55,351	7,817
Litigation costs	-	-	-	2,986	422
Adjusted net loss attributable to ruhnn	<u>(55,383)</u>	<u>(104,005)</u>	<u>(73,246)</u>	<u>(13,554)</u>	<u>(1,913)</u>
Adjusted net loss per ADS (each ADS represents five ordinary shares):					
Basic and diluted	(0.87)	(1.63)	(1.14)	(0.16)	(0.02)
Weighted average shares used in calculating adjusted net loss per ordinary share:					
Basic and diluted	319,406,760	319,406,760	321,584,804	415,523,933	415,523,933

Selected Combined and Consolidated Balance Sheets Data

	As of March 31,				
	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	US\$
	(Amounts in thousands)				
Cash and cash equivalents	21,369	9,713	89,960	718,478	101,468
Restricted cash	-	21,208	13,861	5,673	801
Short-term investments	-	-	-	76,450	10,797
Accounts receivable, net	219	6,240	29,372	60,370	8,526
Inventories	234,579	320,383	220,151	145,553	20,556
Advances to suppliers	40,977	24,695	42,145	32,628	4,608
Total current assets	333,031	412,829	428,458	1,076,464	152,025
Property and equipment, net	5,282	5,145	146,071	183,404	25,902
Intangible assets, net	-	3,740	104,457	82,567	11,661
Total assets	342,292	424,643	689,290	1,434,051	202,528
Accounts payable	68,697	72,890	78,061	104,822	14,804
Amounts due to related parties	285,570	374,558	574,859	18,097	2,556
Total liabilities	385,509	558,668	781,136	256,289	36,195
Total shareholders' (deficit) equity	(43,217)	(134,025)	(91,846)	1,177,762	166,332

Selected Combined and Consolidated Statements of Cash Flows Data

	Year Ended March 31,				
	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	US\$
	(Amounts in thousands)				
Net cash (used in) provided by operating activities	(240,532)	(27,575)	(9,385)	50,566	7,142
Net cash used in investing activities	(10,133)	(1,949)	(6,702)	(320,249)	(45,228)
Net cash provided by financing activities	272,034	39,076	88,987	885,475	125,052
Effect of exchange rate changes on cash, cash equivalents and restricted cash	-	-	-	4,538	641
Net increase in cash, cash equivalents and restricted cash	21,369	9,552	72,900	620,330	87,607
Cash, cash equivalents and restricted cash at beginning of the year	-	21,369	30,921	103,821	14,662
Cash, cash equivalents and restricted cash at end of the year	21,369	30,921	103,821	724,151	102,269

Exchange Rate Information

Substantially all of our operations are conducted in China and all of our revenue is denominated in Renminbi. This annual report contains translations of Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this annual report were made at a rate of RMB7.0808 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on March 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. On August 7, 2020, the noon buying rate for Renminbi was RMB6.9670 to US\$1.00.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors**Risks Relating to Our Business and Industry*****We may not be able to maintain and optimize our KOL ecosystem.***

Our ability to maintain our KOL ecosystem which creates strong network effects among our ecosystem participants is critical to our success. The extent to which we are able to maintain and strengthen the attractiveness of our ecosystem depends on our ability to offer a mutually beneficial platform for all participants, including our KOLs, their fans who are potential buyers in our online stores, designers, brands and online retailers, manufacturers and suppliers. To this end, we need to maintain the quality of our products and services, develop attractive opportunities and create profits for our ecosystem participants, expand the scope and scale of our ecosystem, and retain our participants. We must also continue utilizing data to enhance our KOL selection and cultivation, increase fan engagement, develop our product design and merchandising, improve operational efficiency and upgrade our technology infrastructure.

Changes made to enhance our ecosystem or balance the interests of participants may be viewed positively by one participant but may have negative effects upon another. If we fail to balance the interests of all participants in our ecosystem, we may fail to attract and retain additional ecosystem participants, which could adversely impact our business, financial condition and results of operations.

Our limited operating history makes it difficult to evaluate our business and prospects. We cannot guarantee that we will be able to maintain the growth rate that we have experienced to date.

We have a limited operating history. Our founders started to explore the commercialization of KOLs through e-commerce in 2014, and the first company in our current corporate structure commenced operations in 2016. Revenue from our product sales through full-service model increased by 59% from RMB572.4 million for fiscal year 2017 to RMB912.5 million for fiscal year 2018, increased by 3% to RMB942.8 million for fiscal year 2019 and increased by 5% to RMB992.6 million (US\$140.2 million) for fiscal year 2020. Revenue from our services through platform model increased by approximately 5.4 times from RMB5.5 million for fiscal year 2017 to RMB35.1 million for fiscal year 2018, increased by approximately 3.3 times to RMB150.7 million for fiscal year 2019 and increased by 101% to RMB303.2 million (US\$42.8 million) for fiscal year 2020. However, our historical performance may not be indicative of our future growth or financial results. We cannot assure you that we will grow at the same rate as we did in the past or avoid any decline in the future. Our growth may slow down or become negative, and revenue may decline for a number of possible reasons, some of which are beyond our control, including decreasing consumer spending, increasing competition, declining growth of our overall market or industry, unexpected pandemic, the emergence of alternative business models, changes in rules, regulations, government policies or general economic conditions. It is difficult to evaluate our prospects, as we may not have sufficient experience in addressing the risks to which companies operating in rapidly evolving markets may be exposed. If our growth rate declines, investors' perceptions of our business and prospects may be materially and adversely affected and the market price of our ADSs could decline. You should consider our prospects in light of the risks and uncertainties that companies with a limited operating history may encounter.

A substantial portion of our revenue is generated from online stores opened in the names of a limited number of KOLs under the full-service model. We may experience a decrease in purchases on our online stores.

Product sales revenue through full-service model accounted for 96%, 86% and 77% of total net revenue, while the number of KOLs serving the full-service model through online stores opened in their names was 33, 14 and 3, for fiscal years 2018, 2019 and 2020, respectively, following the transition of certain online stores from full-service model to platform model. Online stores opened in the names of our top-tier KOLs classified based on GMV facilitated accounted for 69%, 68% and 73% of our total net revenue for fiscal years 2018, 2019 and 2020, respectively. In particular, online stores opened in the name of Dayi Zhang, accounted for 52%, 55% and 58% of our total net revenue for fiscal years 2018, 2019 and 2020, respectively. The success of our online stores is largely determined by the popularity of the KOLs in whose names such stores are opened. KOLs with more fans are able to reach a wider audience when they promote our products on their social media pages and to direct more potential customers to our online stores to purchase such products. As of March 31, 2020, our top-tier KOLs classified based on GMV facilitated had approximately 37.9 million fans and Dayi Zhang had approximately 26.5 million fans on various social media platforms, representing 18% and 13%, respectively, of the total number of fans of our KOLs.

Our concentration on online stores opened in the names of a few KOLs exposes us to the risk of substantial decreases in, or impediments to the growth of, our revenue if the number of fans or the popularity of any of such KOLs is reduced or fails to grow. We anticipate that a limited number of KOLs under the full-service model will continue to contribute to the majority of our total net revenue in the near future, as it will take time for other KOLs to develop their fan bases and thus our customer base. We cannot assure you that our top-tier KOLs will be able to retain their popularity, or our other KOLs will be able to increase their number of fans. See also “- Negative publicity about our KOLs or our products may materially and adversely affect our reputation, our business and the trading price of our ADSs.” Any failure to do so will materially and adversely affect our business, prospects, financial performance and results of operations.

We have incurred net losses in the past, and we may continue to incur losses in the future.

We have incurred net losses in our history. For fiscal years 2018, 2019 and 2020, we incurred net losses of RMB90.0 million, RMB84.9 million and RMB97.8 million (US\$13.8 million), respectively. We also had negative cash flows from operations of RMB27.6 million and RMB9.4 million for fiscal years 2018 and 2019, respectively. While we had positive cash flows from operations of RMB50.6 million for fiscal year 2020, we cannot assure you that we will be able to maintain a positive operating cash flow for any future period. We expect our operating expenses to increase in absolute amounts in the future due to (i) the continued expansion of our business, and (ii) the continued identification and cultivation of KOLs, which will affect our ability to achieve profitability.

Our ability to achieve profitability depends on our ability to, among other things, increase the number of fans and consumers, grow and diversify our product and service offerings and optimize our cost structure. However, we may not be able to achieve any of the above. In particular, our sales and marketing expenses increased by 41% to RMB205.7 million for fiscal year 2019, primarily due to the increased expenses of KOL incubation, cultivation and training in order to support increased activities in the Company's KOL sales and advertising businesses. Our sales and marketing expense further increased by 48% to RMB305.2 million (US\$43.1 million) for fiscal year 2020, primarily due to (i) the expansion of our KOL pool, which caused related expenses for KOL incubation, cultivation and personnel of related support teams to increase, and (ii) non-cash amortization expense of intangible assets in relation to exclusive cooperation rights of RMB20.6 million (US\$2.9 million) and the noncash amortization of share-based compensation expense of RMB10.2 million (US\$1.4 million). If we continue to incur substantial sales and marketing expenses without being able to achieve the anticipated consumer and revenue growth, our operating results may be materially and adversely affected. As a result, we may fail to improve our operating margin and may continue to incur net losses in the future.

The Covid-19 pandemic has adversely affected, and may continue to adversely affect, our results of operations.

The Covid-19 pandemic has adversely impacted our business since the fourth quarter of fiscal year 2020. Among other things, the product manufacturing, logistics and fulfillment of us and certain third-party merchants and brands that cooperated with us were adversely affected due to various travel restrictions and quarantine measures imposed in China. We have implemented preventative measures to protect the health and safety of our employees and made appropriate adjustments to our business operations in response to the pandemic's impact.

While we have seen gradual recovery of our overall business resulting from improving health statistics in China since March 2020, the pandemic continued to have an adverse effect on our business and results of operations for the past few months and we anticipate the negative impact of the pandemic may continue. As a result, our results of operations for fiscal year 2021 and any period thereof could be worse than our results of operations for fiscal year 2020 and corresponding periods thereof.

The duration and magnitude of the impact from the pandemic on our business will depend on numerous evolving factors that cannot be accurately predicted or assessed, including the duration and scope of the pandemic, the negative impact it has on the Chinese and global economy, its impact on unemployment and consumer confidence, our ability to successfully navigate the impact of the pandemic, as well as actions governments, businesses and individuals take in response to the pandemic.

We and our KOLs may fail to anticipate or influence changes in fans' buying preferences and develop our product offering and merchandising.

The success of our business depends on our and our KOLs' ability to anticipate and influence the purchase decisions of our KOLs' fans. The market for products sold in our online stores, in particular women's apparel, changes rapidly in ways that are often difficult to predict. Consequently, we must stay abreast of emerging consumer preferences, anticipate product trends that will appeal to our KOLs' existing and potential fans and take them into account during our product design and manufacturing process. This requires a combination of various elements, including but not limited to accurate analysis and prediction of market trends, timely collection of fans' feedback, strong research and development capability, and access to flexible product production. If we are unable to accurately predict or timely react to evolving preferences or trends, or if we misjudge the market for our products, the continued success and future growth of our business could be materially and adversely affected, potentially resulting in significant decreases in revenue.

We may not be able to attract new KOLs or retain our existing KOLs.

We rely on our KOLs to promote our products and to drive traffic to our online stores. See "Item 4. Information on the Company — B. Business Overview — Our KOLs — Key Information of Our Selected KOLs." We enter into cooperation agreements with our KOLs. The term of the cooperation agreements typically ranges from three to five years. If any of our KOLs cease to cooperate with us during the term of the cooperation agreement or employment agreement, sales and marketing efforts of that KOL will reduce. If we are unable to enforce our rights against him or her, there may be less or no traffic to our online stores opened in his or her name and we may generate less revenue from such online stores. Even if we are able to enforce our rights against the relevant KOL, the gross compensation that we receive through enforcement may be substantially less than the revenue we would have earned were the cooperation agreement performed in full by the relevant KOL.

Starting from 2017, the cooperation agreements we entered into with our KOLs normally provide that, if the KOL's revenue or number of new fans reaches a certain threshold during the initial contract term, it will automatically renew for a period of three years upon expiration of the original term. However, the cooperation agreements entered into before 2017 do not have such provision. If, after the term, any of our KOLs is able to sustain his or her popularity and decides to open his or her own online store or to cooperate with other KOL sales and marketing platforms, he or she may compete with our KOLs and our online stores and our ability to generate revenue could be reduced.

We may not be successful in cultivating KOLs and may be unable to recoup the costs incurred in cultivating our KOLs.

We incurred a significant amount of operating expenses in training and providing professional support to our KOLs for fiscal years 2018, 2019 and 2020. A significant portion of such expenses in respect of each KOL are incurred before the KOL has developed a sufficiently large fan base to generate any revenue for us.

The cultivation of successful KOLs is subject to many uncertainties, including their personal style, charisma, attitude and professionalism, the receptiveness of social media users to our KOLs and other circumstances beyond our control. If any of our KOLs fails to develop a fan base to our expectations, we may not open any online store in his or her name or such online store may not be successful, and in such case, we may fail to receive the expected revenue from online stores or fail to recoup the costs incurred in training and supporting such KOL, which may adversely impact our business, financial condition and results of operations.

Negative publicity about our KOLs or our products may materially and adversely affect our reputation, our business and the trading price of our ADSs.

Negative publicity about our KOLs or our products may arise and appear on the internet and other media from time to time. There has been negative publicity about our KOLs in the past including recent negative publicity about one of our top KOLs, and negative publicity of a similar or more serious nature may arise in the future. For example, we do not interfere with our KOLs' personal lives and we respect our KOLs' privacy and other personal rights. Partly due to the popularity of our KOLs, however, one or more aspects of their personal lives may be exposed to the public and related information and rumors may widely spread on the internet and other media, which may in certain cases significantly harm our KOLs' reputation, reduce their fans' loyalty and adversely affect their ability to advertise, promote and sell products of us and our business partners. Our KOLs may also post unlawful, false, offensive or controversial content on their social media pages, notwithstanding any terms of use of the social media platforms and our guidelines, which may result in negative comments and complaints or even cause their accounts to be closed by social media platforms. In addition, they may also receive negative publicity if they are involved in any illegal activities, scandals or rumors. Such negative publicity may lead to an impairment of the intangible assets on our combined and consolidated balance sheets.

Our products may also be subject to negative publicity for various reasons, such as complaints about the quality of our and their products and related services or other public relation incidents of us, which may adversely affect our reputation and the sales of our products of those of third-party online retailers in our online stores. Any such negative publicity, regardless of veracity, could result in the expenditure of funds and management time and may have a material and adverse effect on our reputation, our business and the trading price of our ADSs.

We have experienced rapid growth since our inception, but we may fail to adequately manage our expansion.

Our rapid growth has placed, and continues to place, significant strain on our management and our technology infrastructure, as well as our operational, financial and administrative systems. To accommodate our growth, we anticipate that we will need to implement a variety of new and upgraded systems, procedures and controls. We will also need to continue expanding, training, managing and motivating our KOLs and employees and manage our relationships with our customers, suppliers and other service providers. All of these endeavors involve risks and will require substantial management effort and additional expenditures. We cannot assure you that we will be able to manage our growth or execute our strategies effectively, and any failure to do so may have a material adverse effect on our business, financial condition and results of operations.

We face challenges and risks associated with diversifying our monetization channels.

We have in the past generated most of our revenue from our full-service model. In the future, revenue from our platform model is expected to grow more rapidly, and under our platform model, we plan to diversify our service offerings to include more KOL services such as additional forms of advertising and casting. Such plans may require us to devote significant financial and managerial resources and may not perform as expected. In addition, we may not be able to successfully anticipate and address customer demands and preferences in connection with new product offerings and our existing network may not be adaptable to the new product offerings.

We also expect to explore new monetization opportunities and expand our revenue sources, and to adjust the proportion of our revenue from different revenue sources in response to changes in market conditions. This may make predicting our future results of operations more difficult than it otherwise would be. Therefore, our past results of operations should not be taken as indicative of our future performance. We may also be inexperienced with the operations associated with new monetization opportunities.

If we cannot successfully address challenges, we may not be able to recoup our investments with respect to any new initiatives, in which case our business, financial condition and results of operations could be materially and adversely affected.

We may fail to manage our inventories effectively.

To operate our business successfully and meet our consumers' demands and expectations, we must maintain a certain level of finished goods inventory to ensure immediate delivery when required. However, forecasts are inherently uncertain. For example, as we allow consumers to cancel their pre-orders, we may not be able to make accurate forecasts and actual orders may be lower than our forecasted orders, and therefore, we may not be able to maintain an appropriate level of inventory of fabrics and raw materials for production. In addition, if our forecasted demands are lower than actual demand, we may not be able to maintain an adequate inventory level of our finished goods or produce our products in a timely manner and may lose sales and market share to our competitors. On the other hand, if our forecasted demand is higher than actual demand, we may be exposed to increased inventory risks due to accumulated excess inventory of our finished products, fabrics or raw materials. Excess inventory levels may lead to increases in inventory holding costs, risk of inventory obsolescence, increases in markdown allowances and write-offs.

Our return and exchange policies may adversely affect our results of operations.

We have adopted consumer-friendly return and exchange policies that make it convenient for consumers to change their minds after completing purchases. We may also be required by law to adopt new or amend existing return and exchange policies from time to time. For example, pursuant to the amended Consumer Protection Law, which became effective in March 2014, consumers are generally entitled to return the products purchased within seven days upon receipt without giving any reasons when they purchase the products from business operators on the internet. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations Relating to Tort Liability, Product Quality and Consumer Protection." These policies subject us to additional costs and expenses, which we may not recoup through increased revenue. Our ability to handle a large volume of returns is unproven. If our return and exchange policy is misused by a significant number of consumers, our costs may increase significantly, and our results of operations may be materially and adversely affected.

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

We have experienced, and we expect to continue to experience, seasonal fluctuations in our revenue, which have caused, and will continue to cause, fluctuations in our results of operations. We generally experience a lower level of sales in the fourth quarter of each fiscal year due to the Chinese New Year holiday, during which consumers generally spend less time on our KOLs' social media spaces and on online shopping, while we usually have higher sales in the third quarter of each fiscal year due to sales on Singles Day in November, Double Twelve in December and sales of fall and winter apparel, which typically have a higher average selling price than spring and summer apparel. In addition, our logistics and fulfillment service hours will be impacted by holidays.

We make planning, inventory and personnel decisions based on our estimates of demand. If we fail to adequately increase inventory levels for popular products or do not have sufficient staff to handle purchase orders in a timely manner, we may fail to meet consumer demand, which may reduce the volume of transactions in our online stores as well as the attractiveness of such online stores. On the other hand, if we overstock products or if we hire more staff than required, we may be required to take inventory markdowns or write-offs or we may incur unnecessary costs, which could reduce our profits.

We may be subject to product liability claims that could be costly and time-consuming.

We sell our products and promote third-party merchants' products on our KOL sales and marketing platform; some of the products may be defective. If any product that we sell were to cause personal injury or injury to property, the injured party or parties could bring claims against us. We could also be subject to claims that consumers were harmed due to their reliance on our KOLs' promotion of third-party brands' products. If a successful claim were brought against us, it could adversely affect our business. We may have the right under applicable laws, rules and regulations to recover from the relevant manufacturers or third-party merchants compensation that we are required to make to consumers in connection with a product liability, personal injury or a similar claim, if such relevant party is found responsible. However, there can be no assurance that we will be able to recover all or any amounts from these parties. Any product liability claim, regardless of its merit or success, could result in the expenditure of funds and management time and adverse publicity and could have a negative impact on our reputation, business, financial condition and results of operations.

We may incur liability for counterfeit, unauthorized, illegal, or infringing products sold or misleading information available on our KOL sales and marketing platform.

Under our platform model, our KOLs represent reputable brands and online retailers on our KOL sales and marketing platform. However, brands' and online retailers' measures of safeguarding against counterfeit, unauthorized, illegal, or infringing products sold through e-commerce platforms may not be adequate. Although we have indemnity clauses in most of our contracts with our brands and online retailers, sales could decline and our reputation may be adversely affected. We may be subject to sanctions under applicable laws and regulations if we are deemed to have participated or assisted in infringement activities associated with counterfeit goods, 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, unauthorized, illegal, or infringing products sold on our KOL sales and marketing platform, we may be subject to lawsuits, severe administrative penalties and criminal liability. See "— We may be subject to product liability claims that could be costly and time-consuming." We believe our reputation is extremely important to our success and our competitive position. The discovery of counterfeit, unauthorized, illegal, or infringing products promoted by our KOLs or sold on our KOL sales and marketing platform may severely damage our reputation among brand partners, and they may refrain from using our services in the future, which would materially and adversely affect our operations and financial results.

We rely on a limited number of online social media platforms and e-commerce platforms to conduct our business. However, operators of the platforms may curtail or inhibit our ability to use the platforms, or there may be material disruption of the platforms.

Our KOLs use social media platforms such as Weibo, Weitao, Douyin, Kuaishou, Bilibili and Xiaohongshu to promote our and third-parties' products and to drive traffic to online stores on platforms like Alibaba and Kuaishou.

While they are generally open to all users, these social media and e-commerce platforms have no obligation to allow us or our KOLs to use their platforms in the long term. If we or our KOLs breach the terms of use of such platforms, or for any other reason, the platform operators may decide at any time to curtail or inhibit our ability to use such platforms, for example, by banning or closing our or our KOLs' user accounts. Additionally, these platforms may increase their fees or make changes to their respective business models, terms of use, policies or systems, and those changes could impair or restrict our or our KOLs' ability to post content and sell products. Further, social media platforms and e-commerce platforms could cease operations unexpectedly due to a number of events, including interruptions in telecommunication services, computer viruses and security breaches.

Any of the above could reduce our KOLs' ability to post promotional content, fans' and consumers' engagement time, our ability to serve third-party online retailers, and traffic and sales on our online stores, any of which could affect our ability to achieve profitability or have a material adverse effect on our business, financial condition and results of operations.

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

As of March 31, 2020, we had over 700 fabric suppliers, wholesale clothing providers and manufacturers on our supplier list who had worked with us and with which we expect to continue our business relationships in the near future. Maintaining strong relationships with these suppliers is important to the growth of our business. In particular, we depend significantly on our suppliers to provide fabrics and sample clothes or to produce apparel for us on favorable pricing terms. We typically enter into framework agreements with suppliers on an annual basis, and these framework agreements do not ensure the availability of products or the continuation of particular pricing practices or payment terms beyond the end of the relevant contractual terms. We cannot assure you that our current suppliers will continue to sell products or provide services to us on commercially acceptable terms, or at all, after the term of the current agreement expires. If our suppliers cease to provide us with favorable payment terms, our requirements for working capital may increase and our operations may be materially and adversely affected.

Moreover, we may also become involved in disputes with our suppliers on the required prepayments and relevant settlement afterwards. If we fail to maintain business relationships with our suppliers due to such disputes, and we will need to establish new supplier relationships promptly to ensure that we have access to a steady supply of products or services on favorable commercial terms. However, we cannot assure you that we will be able to find new suppliers who can satisfy our requirements.

The success of our platform model is linked to the success of third-party merchants whose products and services our KOLs promote or who publish advertisements on the social media space of our KOLs.

For our platform model, our success and our growth are partly dependent upon the success of third-party merchants who hire our KOLs to promote their products and services or who place advertisements on our KOL sales and marketing platform. As we continue growing our business under our platform model, our future success will be dependent more on the success of such third-party merchants, including brands and online retailers. As we negotiate with third-party merchants on a case-by-case basis, the rates we charge for our KOL service fees may vary from merchant to merchant. We cannot assure you that our efforts to optimize our customer base under our platform model will be successful or will not have any material adverse impact on our business performance or results of operations. If our customers under our platform model were to have financial difficulties, suffer impairment of their brands or if the profitability of, or demand for, their products or services decreases, it could adversely affect our results of operations and our ability to maintain and grow our business. Our business could also be adversely affected if our customers' marketing, brands or retail stores are not successful or if they reduce their marketing efforts.

We depend on logistics service providers to deliver products to customers, and they may fail to provide reliable logistics services.

We rely on logistics service providers to deliver products to our customers. See "Item 4. Information on the Company — B. Business Overview — Our Suppliers — Logistics Service Providers." Any major interruptions to or failures in these logistics service providers could prevent the timely or successful delivery of products. These interruptions may be due to unforeseen events that are beyond our control or the control of these third-party logistics providers, such as inclement weather, natural disasters, transportation interruptions or labor unrest or shortage. If products are not delivered on time or are delivered in a damaged state, customers may return the products and may claim refund from us, third-party brands or other online retailers who cooperate with us, and these third-party brands or other online retailers may have less confidence in our services. As a result, we may lose brand and online retailer partners, and our business, financial condition and results of operations could suffer.

We are subject to payment processing related risks.

Our online stores accept payments through third party online payment platforms such as Alipay. For certain payment methods, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profitability. We may be subject to fraud and other illegal activities in connection with online payment. We are also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

In addition, as restricted by Alipay, one corporate entity can only be associated with a maximum of five online store accounts and receive revenue generated from these stores via Alipay. As we can associate our online store accounts to a limited number of our VIE's subsidiaries, we directly receive payments from a minority of our online store accounts via Alipay, while the majority of our online stores transfer their sale proceeds to us through bank accounts opened in the names of the respective KOLs. We have taken measures to maintain control over such KOLs' bank accounts and avoid KOLs' misappropriation or any other misconduct in connection with our revenue generated from online stores. For example, we create and keep the passcodes required to access the online payment system. However, we cannot assure you that these measures will be effective and keep us from being harmed by KOLs' misappropriation or misconduct. In addition, according to the Administrative Measures for RMB Bank Settlement Account, a corporation is not allowed to misuse personal accounts to receive payments from customers. Therefore, if our control over the KOL bank accounts is deemed as misuse by relevant government authorities, we may be subject to fines.

We may not be able to provide high-quality customer service.

We depend on our customer service representatives and online store managers to provide assistance to customers on our online stores. See "Item 4. Information on the Company — B. Business Overview — Our Customers — Consumers." If they fail to satisfy the individual needs of customers, our sales could be negatively affected and we may lose potential or existing third-party online retailers, which could have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to compete successfully against current and future competitors.

We face competition in the internet KOL facilitator market and e-commerce market in China, and we expect greater competition in the future from new market entrants. Intensified competition may result in a decrease in our market share or reduction in revenue or difficulty in recruiting new KOLs, any of which could negatively affect our business, financial condition, results of operations and our ability to grow our business.

In addition, competition may intensify as our competitors raise additional capital and as established companies in other market segments expand into our market segments. If we cannot compete successfully against our current and future competitors, our business, financial condition and results of operations could be adversely affected.

We depend on our senior management as well as experienced and capable personnel generally, but we may fail to attract, motivate and retain them.

Our future success is significantly dependent upon the continued service of our senior management and other key employees, including Min Feng, Lei Sun, Chao Shen and Jacky Jinbo Wang. If members of our senior management team or other key personnel resign, join a competitor or form a competing company, we may not be able to locate suitable or qualified replacements and may face uncertainty and incur additional expenses as we seek to recruit and train new staff, which could severely disrupt our business and growth.

We have entered into employment, non-compete, non-solicitation and confidentiality agreements with our senior management and other key personnel. However, these employment, non-compete, non-solicitation and confidentiality agreements do not ensure the continued service of these senior management and key personnel, and we may not be able to enforce these agreements. In addition, we do not maintain key person life insurance for any of the senior members of our management team or other key personnel.

Competition for discovering and signing talents in the internet KOL facilitator industry and e-commerce industry in China is intense, and the availability of suitable and qualified candidates in China is limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation and other benefits, there is no assurance that these individuals will choose to join or continue to work for us. Any failure to attract or retain key management and personnel could severely disrupt our business and growth.

We may fail to obtain requisite approvals, licenses or permits applicable to our business or fail to comply with PRC laws and regulations.

Our business is subject to supervision and regulation by relevant PRC government authorities, including the State Administration for Market Supervision, the Ministry of Industry and Information Technology of the PRC, the National Development and Reform Commission, the Ministry of Culture and Tourism of the PRC, China Food and Drug Administration and/or their relevant local counterparts. These government authorities promulgate and/or enforce regulations that cover many aspects of operation of online retailing such as Interim Measures for the Administration of Online Commodities Trading and Relevant Services, Product Quality Law of the PRC, Pricing Law of the PRC, Administrative Measures for Food Business Licensing, Regulations for the Administration of Commercial Performances and E-commerce Law of the PRC. We are required to hold a number of licenses and permits in connection with our operations, such as business license, commercial performance permit and food business license. While we currently hold all material licenses and permits required for our operations, we may be required to renew these licenses and permits upon their expiration or obtain new licenses or permits in the future as a result of our business expansion, change in our operations or change in laws and regulations applicable to us.

As the e-commerce industry is still evolving in China, new laws and regulations may be adopted from time to time, and substantial uncertainties exist regarding the interpretation and implementation of current and future PRC laws and regulations applicable to our operations. Our current business activities could be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities' interpretation of these laws and regulations. In addition, although relevant PRC government authorities currently do not have any laws or regulations governing KOLs' qualifications, activities, behaviors and other elements that may have an impact to our business, they could tighten the restrictions on KOL-related business and promulgate new laws and regulations in the future.

If we fail to adapt to any new regulatory requirement or any competent government authority considers that we operate our business without any requisite license, permit or approval, or otherwise fails to comply with applicable regulatory requirements, we may be subject to administrative actions and penalties against us, including fines, confiscation of our incomes, revocation of our licenses or permits, or, in severe cases, cessation of certain business. Any of these actions may have a material and adverse effect on our business, financial condition and results of operations.

We may fail to renew our leases upon expiration or comply with relevant PRC laws that require registration of lease agreements as well as other title certificates, in which case we may have to relocate our offices or warehouses.

As of March 31, 2020, we leased 9,245 square meters of office space in Hangzhou, Zhejiang Province, and leased an aggregate of over 48,926 square meters of warehouses in Haining and Hangzhou, Zhejiang Province, and we may have to relocate for a number of reasons. For example, we may not be able to successfully renew leases upon expiration of the current term and may decide to move to more premium locations or have to relocate our operations as required by relevant PRC laws and regulations. In particular, our warehouses which are not located at our registered corporate addresses in China have not been registered as our branches with the competent government authority and we may be subject to fines of up to RMB100,000 for each of such warehouses or may need to relocate our warehouses. In those cases, we may not be able to locate desirable alternative sites for our offices or warehouses under favorable terms. Nevertheless, we are in the process of establishing an operating entity to modify the registration of our corporate addresses to cover the said warehouses.

In June 2020, we terminated certain warehouse lease contracts covering 32,426 square meters in Haining as a result of the government expropriation plan. Meanwhile, we entered into new warehouse lease contracts with third-party landlords in Haining and Hangzhou for an aggregate of 35,952 square meters.

We have not been able to receive from our lessors of some of our leased properties copies of title certificates or proof of authorization to lease the properties to us. In addition, we have not registered our lease agreements with relevant government authorities as required by PRC law. As of the date of this annual report, we are not aware of any actions, claims or investigations threatened against us or our lessors with respect to the defects in our leasehold interests. However, if any of our leases is terminated as a result of challenges by third parties or governmental authorities for lack of title certificates or proof of authorization to lease, we do not expect to be subject to any fines or penalties but we may be forced to relocate the affected offices or warehouses and incur additional expenses relating to such relocation. In addition, failure to complete the lease registration will not affect the legal effectiveness of the lease agreements according to PRC law, but the real estate administrative authorities may require the parties to the lease agreements to complete lease registration within a prescribed period of time and the failure to do so may subject the parties to fines from RMB1,000 to RMB10,000 for each of such lease agreements.

We may not be able to adequately protect our intellectual property rights and exclusive rights.

We rely on a combination of trademark, patent, copyright and trade secret protection laws in China and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our intellectual property rights and other exclusive rights. Our cooperation agreements with KOLs typically provide that we own their portrait rights or right of publicity on social media platforms, social media accounts and online store accounts. Our cooperation agreements with KOLs also include provisions on confidentiality and intellectual property rights protections. We also enter into confidentiality agreements with our employees and any third parties who may access our proprietary information, and we rigorously control access to our proprietary technology and information. Our success also depends in part upon the technology and AI solutions that we utilize in designing and manufacturing products as well as certain systems we use in managing the entire fulfillment and transaction process.

Nevertheless, it may be possible for third parties to obtain and use our intellectual property and exclusive rights without authorization. Intellectual property protection may not be sufficient or consistent in China. Moreover, cooperation agreements and 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 and exclusive rights or to enforce our contractual rights in China or elsewhere. In addition, policing any unauthorized use of our intellectual property and exclusive rights is difficult, time-consuming and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property and exclusive rights. In the event that we resort to litigation to enforce our intellectual property rights and exclusive 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 or that we would be able to halt any unauthorized use of our intellectual property and exclusive rights. 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 others and content restrictions of relevant laws.

Third parties may claim that the technology or content used in our KOLs' social media pages or our operation of online stores infringe upon their intellectual property rights. For example, while offering our advertising services, we may be subject to liabilities such as infringement of copyrights or trademarks and to other claims based on the materials and content posted on our KOL sales and marketing platform. We have been in the past subject to claims relating to infringement of the intellectual property rights of others. The possibility of intellectual property claims against us increases as we continue to grow. Such claims, whether or not having merit, may result in our expenditure of significant financial and management resources, injunctions against us or payment of damages. We may need to obtain licenses from third parties who allege that we have infringed their rights, but such licenses may not be available on terms acceptable to us or at all. These risks have been amplified by the increase in the number of third parties whose sole or primary business is to assert such claims.

China 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 KOLs' social media pages or our online stores were deemed by the PRC government to violate any content restrictions, we would not be able to continue displaying 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.

The outcome of any claims, investigations and proceedings is inherently uncertain, and in any event, defending against these claims could be both costly and time-consuming and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings could cause us to pay damages, legal fees and other costs, as well as limit our ability to conduct business or require us to change the manner in which we operate. Even if such assertions against us are unsuccessful, they may cause us to lose existing and future business and incur reputational harm and substantial legal fees.

The proper functioning of our information technology systems is essential to our business. We may fail to maintain the satisfactory performance of our systems.

Our business relies on the proper functioning of our information technology systems. We use information technology systems to enable us to conduct our operations, including product design and procurement, inventory control, supplier management, market data analysis, sales, logistics, KOL identification, cultivation and support, customer service, budgeting and financial reporting. Although we did not experience any material failure or breakdown of our information technology systems during fiscal years 2018, 2019 and 2020, we cannot assure you that our information technology systems will always operate without interruptions. Any malfunction of our information technology systems, whether caused by computer viruses, hacking or other security breaches, errors encountered during system upgrades or other issues, that result in the unavailability or slowdown of our information technology systems may, individually or collectively, materially and adversely affect our business, financial condition and results of operations.

In addition, computer viruses, security breaches and information theft may lead to delays or errors in transaction processing, inability to fulfill purchase orders or loss of data. We cannot assure you that our security mechanisms will be sufficient to protect our information technology systems from any such occurrences, which could materially and adversely affect our business, reputation and prospects.

Further, we must continue to upgrade and improve our information technology systems and software to support our business growth, and failure to do so could impede our growth. However, we cannot assure you that we will be successful in implementing these system and software upgrades and improvement plans. In particular, our systems may experience interruptions during upgrades, and any new technologies may not be fully integrated with our existing systems on a timely basis, or at all. If our existing or future technology systems or software do not function properly, we could experience disruptions and failures, which in turn could materially and adversely affect our business, financial condition and results of operations.

Our business generates, collects and processes a large quantity of data, and any improper use or disclosure of or unauthorized access to such data may harm our reputation.

Our business generates, collects and processes a large quantity of personal, transaction, demographic and behavioral data. We face risks inherent in handling large volumes of data and in protecting the security of such data. In particular, we face challenges related to protecting the data in 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 and security of personal information, including requests from regulatory and government authorities relating to such data.

The PRC regulatory and enforcement regime with regard to data security and data protection has continued to evolve. There are uncertainties on how certain laws and regulations will be implemented in practice. PRC regulators have been increasingly focused on regulating data security and data protection. We expect that these areas will receive greater attention from regulators, as well as attract public scrutiny and attention going forward. This greater attention, scrutiny and enforcement, including more frequent inspections, could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, our reputation and results of operations could be materially and adversely affected.

Failure to protect confidential information of KOLs, fans and consumers, brands and other merchants on our KOL sales and marketing platform against security breaches could damage our reputation and substantially harm our business and results of operations.

A significant challenge to the e-commerce business is the secure storage of confidential information and its secure transmission over public networks. A majority of the product orders and purchase payments are made through online transactions. Maintaining complete security on our KOL sales and marketing platform for the storage and transmission of confidential or private information, such as consumers' personal information, payment-related information and transaction information, is essential to maintain consumer confidence in our platform.

We have adopted strict security policies and measures, including encryption technology, to protect our proprietary data and buyer information. However, advances in technology, skills of hackers, new discovery in the field of cryptography or other events or development could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties from illegally obtaining such confidential or private information we hold with respect to KOLs, fans and consumers, brands and other merchants on our platform. Such individuals obtaining confidential or private information may further engage in various illegal activities using such information. In addition, we have limited control or influence over the security policies or measures adopted by third-party online payment service providers through which most of our consumers may choose to make payment for purchases. Any negative publicity about our online stores' safety or privacy protection mechanisms and policies, and any claims asserted against us or fines imposed upon us as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations. Any compromise of our information security or the information security measures of third-party online payment service providers could have a material and adverse effect on our reputation, business, prospects, financial condition and results of operations.

We may not be able to obtain sufficient capital to maintain or expand our business operations.

Our business operations and expansion require a substantial amount of capital. We had negative cash flows from operations of RMB27.6 million and RMB9.4 million for fiscal years 2018 and 2019, respectively. We expect that our business operations will continue to require a substantial amount of working capital. Although we had positive cash flows from operations of RMB50.6 million (US\$7.1 million) for fiscal year 2020, we cannot assure you that we will be able to maintain positive cash flows from operations in the near future. To expand our business, we have also incurred, and expect to continue to incur, substantial costs to expand our KOL pool and develop our diversified monetization channels and we may only be able to recover such costs over the long term.

We have historically funded our operations with contributions, advances from our shareholders and IPO proceeds. There can be no assurance that we will be able to generate sufficient cash from our operations to fund our capital requirements or raise additional funds through equity or debt financings on satisfactory terms or at all, in which case we may be required to prioritize projects or curtail capital expenditures, and our results of operations could be adversely affected. On the other hand, if we raise funds through debt financings, we may also become subject to restrictive covenants that could limit our future capital raising activities and other financial and operational matters. If we raise funds through further issuances of equity or equity-linked securities, our existing shareholders could suffer significant dilution in their percentage ownership of our company.

We may engage in acquisitions, investments or strategic alliances in the future, which could require significant management attention and materially and adversely affect our business and results of operations.

We may identify strategic partners to form strategic alliances and invest in or acquire additional assets, technologies or businesses that are complementary to our existing business. These investments may involve minority stakes in other companies, acquisitions of entire companies or acquisitions of selected assets.

Any future strategic alliances, investments or acquisitions and the subsequent integration of the new assets and businesses obtained or developed from such transactions into our own may divert management from their primary responsibilities and subject us to additional liabilities. In addition, the costs of identifying and consummating investments and acquisitions may be significant. We may also incur costs and experience uncertainties in completing necessary registrations and obtaining necessary approvals from relevant government authorities in China and elsewhere in the world. The costs and duration of integrating newly acquired assets and businesses could also materially exceed our expectations. Any such negative developments could have a material adverse effect on our business, financial condition, results of operations and cash flow.

We may not have sufficient insurance coverage.

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased property insurance covering our inventory. However, we do not maintain business interruption insurance, general third-party liability insurance or key-man 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 losses or that we will be able to successfully claim for losses under our current insurance policies on a timely basis, or at all. If we incur losses that are not covered by our insurance policies, or if the amount reimbursed is significantly less than our actual losses, our business, financial condition and results of operations could be materially and adversely affected.

If we fail to implement and maintain an effective system of internal control to remediate our material weakness over financial reporting, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud.

As a U.S. public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the Nasdaq Global Select Market. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. 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, as required by Section 404 of the Sarbanes-Oxley Act starting from this annual report. Our management has concluded that, as of March 31, 2020, our existing disclosure controls and procedures and internal control over financial reporting were ineffective, due to the material weakness described below. See “Item 15. Controls and Procedures — Management’s Annual Report on Internal Control over Financial Reporting.”

In accordance with 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 two material weakness, which was first identified in the course of preparing our combined and consolidated financial statements for the fiscal year ended March 31, 2018, relates to (i) a lack of formal documentation of accounting policies and procedures relating to financial reporting in accordance with U.S. GAAP, and (ii) a lack of formal risk assessment process over financial reporting and internal control framework. To remedy our identified material weakness, we have undertaken and will continue to undertake steps to strengthen our internal control over financial reporting, including establishing a group-wide risk assessment process which identifies risks arising from both internal and external events and developing an overall internal control framework and maintain related documents for group level as well as each major business line. However, such measures have not been fully implemented and we concluded that the material weakness in our internal control over financial reporting have not been fully remediated as of March 31, 2020.

Once we cease to be an “emerging growth company” as the term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. In the future, our management may conclude that our internal control over financial reporting is still 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 not reach the same conclusion. In addition, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

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.

If we are unable to implement and maintain proper and effective internal control, we may not be able to produce timely and accurate financial statements. If that were to happen, the market price of the ADSs could decline and we could be subject to sanctions or investigations by the Nasdaq, SEC or other regulatory authorities.

We may experience a severe or prolonged downturn in the Chinese or global economy.

Any prolonged slowdown in the Chinese or global economy may have a negative impact on our business, results of operations and financial condition. In particular, general economic factors and conditions in China or worldwide, including the general interest rate environment and unemployment rates, may affect advertising customers' willingness to advertise or consumers' willingness to spend on entertainment. Economic conditions in China are sensitive to global economic conditions. The global financial markets have experienced significant disruptions since 2008 and the United States, Europe and other economies have experienced periods of recession. The recovery from the lows of 2008 and 2009 has been uneven and is facing new challenges, including the escalation of the European sovereign debt crisis from 2011 and the slowdown of the Chinese economy since 2012. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest in North Korea, Ukraine, the Middle East and Africa, which have resulted in volatility in financial and other markets. There have also been concerns over the withdrawal of the United Kingdom from the European Union. In addition, there have been concerns over the downturn in economic output caused by the Covid-19 outbreak. It is unclear whether these challenges will be contained and what effects they each may have. Economic conditions in China are sensitive to global economic conditions. Recently there have been signs that the rate of China's economic growth is declining, and China's economy contracted in the first quarter of 2020 as a result of the Covid-19 outbreak. Any prolonged slowdown in China's economic development might lead to tighter credit markets, increased market volatility, sudden drops in business and consumer confidence and dramatic changes in business and consumer behaviors.

Moreover, there have been concerns about the economic effect of the tensions in the relationship between the United States, China and neighboring Asian countries. In March 2018, U.S. President Donald J. Trump announced the imposition of tariffs on steel and aluminum entering the United States and in June 2018 announced further tariffs targeting goods imported from China. Subsequently both China and the U.S. have each imposed tariffs that have adversely affected trade between the two countries. In October 2019, U.S. President Donald J. Trump announced that China and the United States had reached a tentative agreement for the first phase of a trade deal, under which China has agreed to buy up to US\$50.0 billion of American products and services, while the United States has agreed to suspend new tariffs. Such agreement was signed in January 2020. Although we do not currently export any of our products to the United States, we may do so in the near future. It is not yet clear what impact these tariffs may have or what actions other governments, including the Chinese government, may take in response. In addition, these developments could have a material adverse effect on global economic conditions, the stability of global financial markets and the Chinese economy. Political tensions between the United States and China have escalated since the Covid-19 outbreak and the passage of The Law of the PRC on Safeguarding National Security in the Hong Kong Special Administrative Region. Rising political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our business, prospects, financial condition and results of operations. Furthermore, there have been recent media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets. If any such deliberations were to materialize, the resulting legislation may have a material and adverse impact on the stock performance of China-based issuers listed in the United States. It is unclear if this proposed legislation would be enacted.

If present Chinese and global economic uncertainties persist, we may have difficulty in attracting advertising customers or spending by consumers on entertainment. Additionally, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

Any occurrence of a natural disaster, widespread health epidemic or other outbreaks 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 snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, Covid-19 or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations. Such events could also significantly impact our industry and 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 or employees of our business partners were suspected of having the swine flu, avian influenza, SARS, Ebola or Covid-19, since this could require us or our business partners 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, health epidemic or other outbreak harms the global or PRC economy in general. Our operations could also be severely disrupted if our buyers, sellers or other participants were affected by such natural disasters, health epidemics or other outbreaks.

The enforcement of the PRC Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and results of operations.

The Standing Committee of the National People's Congress enacted the Labor Contract Law in 2008, and amended it on December 28, 2012. The Labor Contract Law introduced specific provisions related to fixed-term employment contracts, part-time employment, probationary periods, consultation with labor unions and employee assemblies, employment without a written contract, dismissal of employees, severance, and collective bargaining to enhance previous PRC labor laws. Under the Labor Contract Law, an employer is obligated to sign an unlimited-term labor contract with any employee who has worked for the employer for ten consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract, with certain exceptions, must have an unlimited term, subject to certain exceptions. With certain exceptions, an employer must pay severance to an employee where a labor contract is terminated or expires. In addition, the PRC governmental authorities have continued to introduce various new labor-related regulations since the effectiveness of the Labor Contract Law.

Under the PRC Social Insurance Law and the Administrative Measures on Housing Fund, employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing funds and employers are required, together with their employees or separately, to pay the social insurance premiums and housing funds for their employees. To comply with such laws and regulations, we provide social security insurance including pension insurance, unemployment insurance, and work-related injury insurance to our employees. Additionally, we provide supplementary medical insurance for all management and research and development personnel. We currently make social insurance and housing fund contributions according to the minimum standards announced by local governments, but we may be deemed as violating relevant PRC laws and regulations that require companies to make social insurance and housing fund contributions based on actual wages. We may be deemed as violating the PRC Social Insurance Law and the Administrative Measures on Housing Fund, and we may be subject to fines and legal sanctions, including a late charge and a fine ranging from one to three times the amount due, and our business, financial condition and results of operations may be adversely affected.

These laws designed to enhance labor protection tend to increase our labor costs. In addition, as the interpretation and implementation of these regulations are still evolving, our employment practices may not be at all times be deemed in compliance with the regulations. As a result, we could be subject to penalties or incur significant liabilities in connection with labor disputes or investigations.

Risks Relating to Our Corporate Structure

The PRC government may find that the contractual arrangements that establish our corporate structure for operating our business do not comply with applicable PRC laws and regulations.

Pursuant to the Circular on Lifting the Restriction to Foreign Shareholding Percentage in Online Data Processing and Transaction Processing Business (Operational E-commerce), or the New E-commerce Circular, while foreign investors are allowed to hold up to 100% equity interest of an entity operating online data processing and transaction processing business (operational e-commerce) in China, such foreign investors still need to satisfy certain stringent qualification requirements, for instance, the major foreign investors must have good track records and operating experience in the value-added telecommunications service industry. Further, there remain significant uncertainties with respect to the interpretation and implementation of the New E-commerce Circular as well as the applications for the license regarding online data processing and transaction processing business by a wholly foreign funded enterprise in practice.

To maintain our flexibility to engage in operational e-commerce business in the future and to ensure compliance with PRC laws and regulations, we conduct our businesses in China mainly through our PRC affiliates, Hangzhou Hanyi E-Commerce Co., Ltd., or Hanyi E-Commerce or VIE, and its subsidiaries. Hanyi E-Commerce is 1% owned by Min Feng and 99% owned by Hangzhou Xinghui, which is a company incorporated in the PRC and wholly owned by Min Feng. Min Feng is a PRC citizen. We entered into a series of contractual arrangements with Hanyi E-Commerce, which enable us to:

- exercise effective control over Hanyi E-Commerce and its subsidiaries;
- receive substantially all of the economic benefits from Hanyi E-Commerce and its subsidiaries; and
- have a call option to purchase all or part of the equity interests in Hanyi E-Commerce when and to the extent permitted by the relevant laws.

Because of these contractual arrangements, we are the primary beneficiary of Hanyi E-Commerce and its subsidiaries and treat them as our PRC affiliates under U.S. GAAP. We consolidate the financial results of Hanyi E-Commerce and its subsidiaries in our financial statements in accordance with U.S. GAAP. For a detailed discussion of these contractual arrangements, see "Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with Our VIE and Its Shareholders."

There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations concerning foreign investment in the PRC, and their application to and effect on the legality, binding effect and enforceability of the contractual arrangements. In particular, we cannot rule out the possibility that PRC regulatory authorities, courts or arbitral tribunals may in the future adopt a different or contrary interpretation or take a view that is inconsistent with the opinion of our PRC legal counsel.

It is uncertain whether any new PRC laws, rules or regulations relating to VIE structures will be adopted or if adopted, what affect they may have on our corporate structure. On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which has become effective on January 1, 2020 and replace the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Foreign Owned Enterprise Law to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment. Notwithstanding the above, the Foreign Investment Law stipulates that the concept of a foreign investment includes foreign investors investing in China through "any other methods" under laws, administrative regulations, or provisions prescribed by the State Council. Therefore, contractual arrangements could be deemed as a form of foreign investment under future laws, administrative regulations or provisions of the State Council of the PRC. If the other laws, administrative regulations and provisions of the State Council do not incorporate contractual arrangements as a form of foreign investment, the contractual arrangements as a whole and each of the agreements comprising the contractual arrangements will not be materially affected and will continue to be legal, valid and binding on the parties. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations Relating to Foreign Investment" and "—We face uncertainties with respect to the implementation of the Foreign Investment Law." If, as a result of such contractual arrangement, we or Hanyi E-Commerce and its subsidiaries are found to be in violation of any existing or future PRC laws or regulations, or such contractual arrangement is determined as illegal and invalid by the PRC court, arbitral tribunal or regulatory authorities, or we fail to obtain, maintain or renew 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:

- being unable to exert control over affiliated entities;
- revoking the business licenses and/or operating licenses of Hangzhou Yihan Technology Co., Ltd., or Yihan Technology or WFOE, and/or Hanyi E-Commerce and its subsidiaries;
- discontinuing or restricting the conduct of any transactions between Yihan Technology and Hanyi E-Commerce and its subsidiaries, which includes receiving the economic benefits of our affiliated entities under such contractual arrangements;
- limiting our business expansion in China by way of entering into contractual arrangements;
- imposing fines and penalties, confiscating the income from Hanyi E-Commerce and its subsidiaries, or imposing other requirements with which we or Hanyi E-Commerce and its subsidiaries may not be able to comply with;
- shutting down our servers or blocking our websites;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with Hanyi E-Commerce and its subsidiaries and deregistering the equity pledges of Hanyi E-Commerce;
- restricting or prohibiting our use of the proceeds of our initial public offering to finance our business and operations in China;
- restricting the use of financing sources by us or Hanyi E-Commerce and its subsidiaries or otherwise restricting our or their ability to conduct business;
- imposing additional conditions or requirements with which we may not be able to comply with; or
- taking other regulatory or enforcement actions against us that could be harmful to our business.

The imposition of any of these penalties could result in a material and adverse effect on our ability to conduct our business and on our results of operations. If any of these penalties results in our inability to direct the activities of Hanyi E-Commerce and its subsidiaries that most significantly impact their economic performance, and/or our failure to receive the economic benefits from Hanyi E-Commerce and its subsidiaries, we may not be able to consolidate them in our financial statements in accordance with U.S. GAAP.

We face uncertainties with respect to the implementation of the Foreign Investment Law.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which has become 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 to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment. Notwithstanding the above, the Foreign Investment Law stipulates that the concept of a foreign investment includes foreign investors investing in China through "any other methods" under laws, administrative regulations, or provisions prescribed by the State Council. Therefore, there are possibilities 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 the contractual arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned contractual arrangements will be handled. There is no guarantee that the contractual arrangements 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 to be completed by companies with existing contractual arrangements, we may face substantial uncertainties as to the timely completion of such actions. In the extreme case scenario, we may be required to unwind the contractual arrangements and/or dispose our VIEs, which could have a material and adverse effect on our business, financial condition and result of operations.

We rely on contractual arrangements with Hanyi E-Commerce and its shareholders for our operations in China, which may not be as effective in providing control as direct ownership.

We have relied and expect to continue to rely on the contractual arrangements with Hanyi E-Commerce and its shareholders to operate our KOL sales and marketing business. For a description of these contractual arrangements, see "Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with Our VIE and Its Shareholders." The revenue contribution of Hanyi E-Commerce and its subsidiaries accounted for all of our total revenue for fiscal years 2018, 2019 and 2020. However, these contractual arrangements may not be as effective as direct equity ownership in providing us with control over Hanyi E-Commerce and its subsidiaries. Any failure by Hanyi E-Commerce and its subsidiaries or the shareholders of Hanyi E-Commerce to perform their obligations under the contractual arrangements would have a material adverse effect on the financial position and performance of our company. For example, the 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 arbitral procedures as contractually stipulated. The commercial arbitration system in China is not as developed as some other jurisdictions, such as the United States.

As a result, uncertainties in the commercial arbitration system or legal system in China could limit our ability to enforce these contractual arrangements. In addition, if the legal structure and the contractual arrangements were found to violate any existing or future PRC laws and regulations, we may be subject to fines or other legal or administrative sanctions.

If the imposition of government actions causes us to lose our right to direct the activities of Hanyi E-Commerce and its subsidiaries or our right to receive substantially all the economic benefits from Hanyi E-Commerce and its subsidiaries 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 Hanyi E-Commerce and its subsidiaries.

Hanyi E-Commerce and its shareholders may fail to perform their obligations under the contractual arrangements.

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

The shareholders of Hanyi E-Commerce may have actual or potential conflict of interest with us and not act in the best interests of our company.

The shareholders of Hanyi E-Commerce, namely, Min Feng and Hangzhou Xinghui, which is wholly owned by Min Feng, may have actual or potential conflicts of interest with us. These shareholders may refuse to sign or breach, or cause Hanyi E-Commerce to breach, or refuse to renew, the existing contractual arrangements we have with them and Hanyi E-Commerce, which would have a material and adverse effect on our ability to effectively control and receive economic benefits from Hanyi E-Commerce and its subsidiaries. For example, the shareholders may be able to cause our agreements with Hanyi E-Commerce 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. Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company. If we cannot resolve any conflict of interest or dispute between us and these shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

We rely on dividends, fees and other distributions paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could hinder our ability to conduct our business.

We are a holding company and rely principally on dividends and fees paid by our subsidiaries for our cash needs, including paying dividends and other cash distributions to our shareholders to the extent we choose to do so, servicing any debt we may incur and paying our operating expenses. The income for our subsidiaries in turn depends on the service fees paid by our VIE. Current PRC regulations permit our subsidiaries in China to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Under the applicable requirements of PRC law, our PRC subsidiary may only distribute dividends after they have made allowances to fund certain statutory reserves. These reserves are not distributable as cash dividends. Furthermore, if our subsidiaries or our VIE in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any such restrictions may materially affect such entities' ability to make dividends or make payments, in service fees or otherwise, to us, which may materially and adversely affect our business, financial condition and results of operations.

Contractual arrangements between Hanyi E-Commerce and us may be subject to scrutiny by the PRC tax authorities who may find that we or Hanyi E-Commerce and its subsidiaries owe additional taxes.

Under PRC laws and regulations, transactions between related parties should be conducted on an arm's-length basis and 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 our subsidiary in China, Hanyi E-Commerce and its shareholders are not conducted on an arm's-length basis and adjust the income of Hanyi E-Commerce and its subsidiaries through the transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in, for PRC tax purposes, increased tax liabilities of our subsidiary in China and affiliates. In addition, the PRC tax authorities may require us to disgorge our prior tax benefits, and require us to pay additional taxes for prior tax years and impose late payment fees and other penalties on our subsidiary in China and affiliates for underpayment of prior taxes. To date, similar contractual arrangements have been used by many public companies, including companies listed in the United States, and, to our knowledge, the PRC tax authorities have not imposed any material penalties on those companies. However, we cannot assure you that such penalties will not be imposed on any other companies or us in the future. Our net income may be reduced if the tax liabilities of Hanyi E-Commerce and its subsidiaries materially increase or if they are found to be subject to additional tax obligations, late payment fees or other penalties.

Hanyi E-Commerce and its subsidiaries may become the subject of a bankruptcy or liquidation proceeding.

We currently conduct our operations in China through contractual arrangements with Hanyi E-Commerce and its shareholders. As part of these arrangements, substantially all of our assets that are critical to the operation of our business are held by Hanyi E-Commerce and its subsidiaries. If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of Hanyi E-Commerce and its subsidiaries undergoes a voluntary or involuntary liquidation proceeding, its equity owner or unrelated third-party creditors may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the market price of our ADSs.

Our corporate actions are significantly influenced by our principal shareholders, including our founders, Min Feng, Lei Sun and Chao Shen, who have the ability to exert significant influence over important corporate matters that require approval of shareholders, which may deprive you of an opportunity to receive a premium for your ADSs and materially reduce the value of your investment.

Each of our Class A ordinary shares is entitled to one vote and each of our Class B ordinary shares is entitled to ten votes at general meetings of our shareholders. As of July 31, 2020, Min Feng, Lei Sun and Chao Shen beneficially owned, in aggregate, 100% of our Class B ordinary shares, representing approximately 87.7% of the aggregate voting power of our issued and outstanding share capital, while Min Feng beneficially owned 58.8% of our Class B ordinary shares, representing approximately 51.5% of the aggregate voting power of our issued and outstanding share capital. This concentration of ownership and the protective provisions in our second amended and restated memorandum and articles of association may discourage, delay or prevent a change in control of our company, which could have the dual effect of depriving our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and reducing the price of the ADSs. As a result of the foregoing, the value of your investment could be materially reduced.

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 PRC law, legal documents for corporate transactions, including agreements and contracts that our business relies on, 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 the relevant PRC industry and commerce authorities.

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 affiliates. If any employee obtains, misuses or misappropriates our chops and seals or other controlling intangible 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.

Risks Relating to Doing Business in China

The economic, political and social conditions in China, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations.

Our operations are in China and our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in China. The economy of China differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. China's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented measures emphasizing market forces for economic reform, the reduction of State ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a significant portion of productive assets in China is still owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in China and, in turn, our business.

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

Our operating subsidiaries are incorporated under and governed by the laws of the PRC. The PRC legal system is based on written statutes. 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 and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As a significant part of our business is conducted in China, our operations are principally governed by PRC laws and regulations. However, since the PRC legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other countries. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of our initial public offering to make loans to our PRC subsidiary and our VIE, or to make additional capital contributions to our PRC subsidiary.

In utilizing the proceeds of our initial public offering, we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiary, which is treated as a foreign investment enterprise, or FIE, under PRC laws, through loans or capital contributions. However, loans by us to our PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of the State Administration of Foreign Exchange, or the SAFE, and capital contributions to our PRC subsidiary are subject to the requirement of reporting foreign investment information to the commerce authorities, and registration with the local counterpart of the SAMR in China.

The SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or Circular 19, effective on June 1, 2015. According to Circular 19, the flow and use of the Renminbi capital converted from foreign currency-denominated registered capital of a FIE is regulated such that Renminbi capital may not be used for the issuance of Renminbi entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although Circular 19 allows Renminbi capital converted from foreign currency-denominated registered capital of a FIE to be used for equity investments within the PRC, it also reiterates the principle that Renminbi converted from the foreign currency-denominated capital of a FIE may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether the SAFE will permit such capital to be used for equity investments in the PRC in actual practice. The SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue Renminbi entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our initial public offering, to our PRC subsidiary, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to our VIE and its subsidiaries, each a PRC domestic company. Meanwhile, we are not likely to finance the activities of our VIE and its subsidiaries by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by our VIE and its subsidiaries.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiary or VIE or future capital contributions by us to our PRC subsidiary. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiary or VIE and its subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use foreign currency, including the proceeds we received from our initial public offering, and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations relating to offshore investment activities by PRC residents may limit our overseas investments or limit our PRC subsidiary's ability to distribute profits to us or otherwise expose us to liability and penalties under PRC law.

PRC enterprises' overseas direct investment is under the supervision of the MOFCOM, the NDRC and the SAFE, and shall be subject to relevant governing rules such as the Administrative Measures for the Outbound Investment of Enterprises promulgated by the NDRC on December 26, 2017, Administrative Measures for Outbound Investment promulgated by the MOFCOM on September 6, 2014 and the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies promulgated by the SAFE on February 13, 2015. Where PRC enterprises make overseas direct investment, they shall file with or obtain the approval from the MOFCOM and the NDRC, or their local counterparts, and register with the banks as well.

The SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014 that requires PRC residents or entities to register with the 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 operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released in February 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 2015.

If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches, our PRC subsidiary may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiary. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

Min Feng, Lei Sun, Chao Shen, and Yi Zhang have completed initial SAFE registration in connection with our financings and will update their registration filings with the SAFE under SAFE Circular 37 when any changes should be registered under SAFE Circular 37.

However, we may not at all times be fully aware or informed of the identities of all our shareholders or beneficial owners that are required to make or update such registrations, and we cannot compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations or failure by us to amend the foreign exchange registrations of our PRC subsidiary, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

If any of our shareholders regulated by such policies fails to satisfy the applicable overseas direct investment filing or approval requirement timely or at all, it may be subject to penalties from the relevant PRC authorities.

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our business through our operating entities in China and Hong Kong. We rely on dividends paid by our subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Our PRC subsidiary is also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Its statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiary will need to continue to set aside 10% of its after-tax profits to its statutory reserves. In addition, if our PRC subsidiary incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiary to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the Enterprise Income Tax Law, or the EIT Law, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates, or Notice 112, which was issued on January 29, 2008, the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement (Hong Kong), which became effective on December 19, 2006, and the Announcement of the State Administration of Taxation on Issues concerning the "Beneficial Owner" in Tax Treaties, or Announcement No. 9, which became effective on April 1, 2018, dividends from our PRC subsidiary paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if our Hong Kong subsidiary is considered as a "beneficial owner" that is generally engaged in substantial business activities and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact.

We may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC shareholders.

The EIT Law provides that enterprises established outside of the PRC whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. In addition, a circular issued by the State Administration of Taxation, or the SAT, on April 22, 2009 regarding the standards used to classify certain PRC-invested enterprises controlled by PRC enterprises or PRC group enterprises and established outside of the PRC as “resident enterprises” clarified that dividends and other income paid by such “resident enterprises” will be considered to be PRC-source income, subject to PRC withholding tax, currently at a rate of 10%, when recognized by non-PRC enterprise shareholders. This circular also subjects such “resident enterprises” to various reporting requirements with PRC tax authorities. Under the implementation regulations to the enterprise income tax, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and operations, personnel and human resources, finances and properties of an enterprise. In addition, the circular mentioned above sets out criteria for determining whether “de facto management bodies” are located in the PRC for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises established outside of the PRC that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of “de facto management bodies” of overseas incorporated enterprises that are controlled by foreign enterprises or individuals. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not consider our company to be a PRC resident enterprise. However, if PRC tax authorities disagree with our assessment and determine that we are a “resident enterprise”, we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC shareholders as well as capital gains recognized by them with respect to the sale of our shares or ADSs may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC shareholders.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the SAT in 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-resident enterprise, being the transferor, shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer.

In February 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or SAT Circular 7. SAT Circular 7 supersedes the rules with respect to the Indirect Transfer under SAT Circular 698, but does not touch upon the other provisions of SAT Circular 698, which remain in force. SAT Circular 7 has introduced a new tax regime that is significantly different from the previous one under SAT Circular 698. SAT Circular 7 extends its tax jurisdiction to not only Indirect Transfers set forth under SAT Circular 698 but also transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Circular 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and 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. 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.

In October 2017, the SAT issued an Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or SAT Circular 37. Effective December 2017, SAT Circular 37, among others, repealed the Circular 698 and amended certain provisions in SAT Circular 7. According to SAT Circular 37, where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the Enterprise Income Tax, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority. However, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within the required time limits, it shall be deemed that such enterprise has paid the tax in time.

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 the transferor in such transactions, and may be subject to withholding obligations if our company is the transferee in such transactions, under SAT Circular 7 and SAT Circular 37. For transfer of shares in our company by investors who are non-PRC resident enterprises, our PRC subsidiary may be requested to assist in the filing under the SAT circulars. As a result, we may be required to expend valuable resources to comply with the SAT circulars, 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, any of which may have a material adverse effect on our financial condition and results of operations.

It may be difficult to effect service of process upon us or our directors or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

Most of our directors and executive officers reside within China, and most of our assets and the assets of those persons are located within China. It may not be possible for investors to effect service of process upon us or those persons inside China or to enforce against us or them in China any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in China if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned are met.

Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

The PRC government's control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends.

Conversion and remittance of foreign currencies are subject to the PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

In light of the flood of capital outflows of China in 2016 due to the weakening RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement including overseas direct investment. More restrictions and substantial vetting process are put in place by the SAFE to regulate cross-border transactions falling under the capital account. If any of our shareholders regulated by such policies fails to satisfy the applicable overseas direct investment filing or approval requirement timely or at all, it may be subject to penalties from the relevant PRC authorities. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

Inflation in China could negatively affect our profitability and growth.

Economic growth in China has, during certain periods, been accompanied by periods of high inflation, and the Chinese government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the Chinese economy, including increasing interest rates and capital reserve thresholds at Chinese commercial banks. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by PRC government measures, our cost of sales will likely increase and our profitability could be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers.

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

Our independent registered public accounting firm that issues the audit reports included in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB. On May 24, 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission and the Ministry of Finance which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the United States and China. Based on publicly available information, it appears that the PCAOB has continued discussions with the Chinese regulators about permitting inspections of audit firms that are registered with PCAOB in relation to the audit of Chinese companies whose securities are traded on U.S. stock exchanges.

On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects a heightened interest in this issue. In a statement issued on December 9, 2019, the SEC reiterated concerns over the inability of the PCAOB to conduct inspections of the audit firm work papers with respect to U.S.-listed companies that have operations in China, and emphasized the importance of audit quality in emerging markets, such as China. On April 21, 2020, the SEC and the PCAOB issued a new joint statement, reminding the investors that in investing in companies that are based in or have substantial operations in many emerging markets, including China, there is substantially greater risk that disclosures will be incomplete or misleading, and there is also a greater risk of fraud. In the event of investor harm, there is substantially less ability to bring and enforce SEC, DOJ and other U.S. regulatory actions, in comparison to U.S. domestic companies, and the joint statement reinforced past SEC and PCAOB statements on matters including the difficulty to inspect audit work papers in China and its potential harm to investors. However, it remains unclear what further actions the SEC and PCAOB will take to address the concerns.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our combined and consolidated financial statements.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress, which if passed, would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The proposed Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges of issuers included on the SEC's list for three consecutive years. Furthermore, on May 20, 2020, the U.S. senate passed the Holding Foreign Companies Accountable Act, or the Kennedy Bill, which includes requirements similar to those in the EQUITABLE Act for the SEC to identify issuers whose audit reports are prepared by auditors that the PCAOB is unable to inspect or investigate because of restrictions imposed by non-U.S. authorities. The Kennedy Bill would also require public companies on this SEC list to certify that they are not owned or controlled by a foreign government and make certain additional disclosures on foreign ownership and control of such issuers in their SEC filings. If passed by the U.S. House of Representatives and signed by the U.S. President, the Kennedy Bill would amend the Sarbanes-Oxley Act of 2002 to require the SEC to prohibit securities of any U.S. listed companies from being traded on any of the U.S. national securities exchanges, such as NYSE and NASDAQ, or in the U.S. "over-the-counter" markets, if the auditor of the U.S. listed companies' financial statements is not subject to PCAOB inspections for three consecutive years after the law becomes effective. In August 2020, the President's Working Group on Financial Markets, or the PWG, released the Report on Protecting United States Investors from Significant Risks from Chinese Companies. The PWG recommends that the SEC take steps to implement the recommendations outlined in the report. In particular, to address companies from non-cooperating jurisdictions, or NCJs, such as China, that do not provide the PCAOB with sufficient access to fulfill its statutory mandate the PWG recommends enhanced listing standards on U.S. securities 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 NCJs 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. To reduce market disruption, the new listing standards could provide for a transition period until January 1, 2022 for currently listed companies. The other recommendations in the report include, among other things, requiring enhanced and prominent issuer disclosures of the risks of investing in certain NCJs such as China. Enactment of any of such legislation or other efforts to increase the U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of the ADSs could be adversely affected. In addition, enactment of these legislations may result in prohibitions on the trading of our ADSs on the Nasdaq Global Select Market, if our auditors fail to meet the PCAOB inspection requirement in time. It is unclear if and when any of the proposed legislation will be enacted.

Proceedings instituted by the SEC against Chinese affiliates of the "big four" accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.

Starting in 2011, the Chinese affiliates of the "big four" accounting firms, including our independent registered public accounting firm, were affected by a conflict between U.S. and Chinese law. Specifically, for certain U.S.-listed companies operating and audited in mainland China, the SEC and the PCAOB sought to obtain from the Chinese firms access to their audit work papers and related documents. The firms were, however, advised and directed that, under the PRC law, they could not respond directly to the U.S. regulators on those requests, and that requests by foreign regulators for access to such papers in China had to be channeled through the CSRC.

In late 2012, this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese accounting firms, including our independent registered public accounting firm. A first instance trial of the proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioner had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepted that future requests by the SEC for the production of documents would normally be made to the CSRC. The firms would receive matching Section 106 requests, and would be required to abide by a detailed set of procedures with respect to such requests, which in substance would require them to facilitate production via the CSRC. The CSRC for its part initiated a procedure whereby, under its supervision and subject to its approval, requested classes of documents held by the accounting firms could be sanitized of problematic and sensitive content so as to render them capable of being made available by the CSRC to U.S. regulators.

Under the settlement, the SEC accepted that future requests by the SEC for the production of documents would normally be made to the CSRC. The firms would receive matching Section 106 requests, and would be required to abide by a detailed set of procedures with respect to such requests, which in substance would require them to facilitate production via the CSRC. The CSRC for its part initiated a procedure whereby, under its supervision and subject to its approval, requested classes of documents held by the accounting firms could be sanitized of problematic and sensitive content so as to render them capable of being made available by the CSRC to US regulators.

Under the terms of the settlement, the underlying proceeding against the four PRC-based accounting firms was deemed dismissed with prejudice at the end of four years starting from the settlement date, which was on February 6, 2019. Despite the final ending of the proceedings, the presumption is that all parties will continue to apply the same procedures, i.e. the SEC will continue to make its requests for the production of documents to the CSRC, and the CSRC will normally process those requests applying the sanitisation procedure. We cannot predict whether, in cases where the CSRC does not authorize production of requested documents to the SEC, the SEC will further challenge the four PRC-based accounting firms' compliance with U.S. law. If additional challenges are imposed on the Chinese affiliates of the "big four" accounting firms, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

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

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

Risks Relating to Our ADSs

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

The trading prices of our ADSs have fluctuated since we first listed our ADSs. Since our ADSs became listed on the Nasdaq Global Select Market on April 3, 2019, the trading prices of our ADSs ranged from US\$2.49 to US\$9.60 per ADS. The trading price of our ADSs may continue to fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation of the market prices of other companies with operations located mainly in China that have listed their securities in the United States. A number of the PRC companies or companies with operations located mainly in China have listed or are in the process of listing their securities on U.S. stock markets. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performances of those companies' securities after their offerings may affect the attitudes of investors toward companies with operations located mainly in China listed in the United States in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance.

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:

- variations in our revenue, earnings, cash flow and operating data;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new products, services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our services or our industry;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. On September 18, 2019, a putative class action was filed in the Supreme Court of the State of New York against us and certain of our officers and directors, among others. The complaint alleges that the registration statement on Form F-1 for our initial public offering contained false and misleading statements or omissions in violation of federal securities laws. We filed a motion to dismiss on November 20, 2019, which the court granted in part and denied in part on April 22, 2020. We have appealed such decision. In the meantime, the case is proceeding into fact discovery. On October 7, 2019 and October 31, 2019, putative class actions making substantially similar allegations were filed in United States District Court Eastern District of New York against us and certain of our officers and directors. Such class actions were later consolidated and a lead plaintiff was appointed on January 1, 2020. We and the lead plaintiff filed a joint motion to stay the federal action pending resolution of the state action, which was granted by the court. It is premature at this stage of the litigation to evaluate the likelihood of a favorable or unfavorable outcome. We have retained counsel and will vigorously defend against the allegations. These class action suits that we are aware of, as well as any other class action suit we may encounter in the future, could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. 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.

If securities or industry analysts do not publish research reports about us or our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our ADSs, the market price for our ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume for our ADSs to decline.

We currently do not expect to pay dividends in the foreseeable future and you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends subject to our memorandum and articles of association and certain restrictions under Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

Substantial future sales or the expectation of substantial sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of our ADSs in the public market after our initial public offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. As of July 31, 2020, we have 420,956,644 ordinary shares outstanding, comprising 250,772,394 Class A ordinary shares and 170,184,250 Class B ordinary shares. All ADSs representing our Class A ordinary shares are expected to be 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. All of the other ordinary shares outstanding after our initial public offering are available for sale, subject to volume and other restrictions as applicable under Rule 144 and Rule 701 under the Securities Act. Certain major holders of our ordinary shares have the right to cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline significantly.

If we are a passive foreign investment company for United States federal income tax purposes for any taxable year, United States holders of our ADSs or Class A ordinary shares could be subject to adverse United States federal income tax consequences.

A non-United States corporation will be a passive foreign investment company, or PFIC, for United States federal income tax purposes for any taxable year if either (i) at least 75% of its gross income for such year is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income. A separate determination must be made after the close of each taxable year as to whether a non-United States corporation is a PFIC for that year. Based on the composition of our income and assets, and the valuation of our assets, including goodwill (which we have determined based on the market value of our ADSs), we do not believe we were a PFIC for our most recent taxable year. However, because our PFIC status is an annual determination that can be made only after the end of each taxable year, it is possible that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. Furthermore, because we have valued our goodwill based on the market value of our ADSs (which may fluctuate significantly), a decrease in the market value of our ADSs may also result in our becoming a PFIC.

In addition, there is uncertainty as to the treatment of our corporate structure and ownership of our consolidated VIE for United States federal income tax purposes. For United States federal income tax purposes, we consider ourselves to own the equity of our consolidated VIE. If it is determined, contrary to our view, that we do not own the equity of our consolidated VIE for United States federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), we may be treated as a PFIC.

If we are a PFIC for any taxable year during which a United States person holds ADSs or Class A ordinary shares, certain adverse United States federal income tax consequences could apply to such United States person. See “Item 10. Additional Information — E. Taxation — Material United States Federal Income Tax Considerations — Passive Foreign Investment Company.”

Our second amended and restated memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our Class A ordinary shares and ADSs.

Our second memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions, including a provision that entitles each Class B ordinary share to ten votes in respect of all matters subject to a shareholders’ vote. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. If any of such Class B ordinary shares are converted into Class A ordinary shares or cancelled for any reasons, our board of directors will have the authority without further action by our shareholders to issue additional Class B ordinary shares, which will be dilutive to our Class A ordinary shareholders. In addition, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares and ADSs may be materially and adversely affected.

The dual-class structure of our ordinary shares may adversely affect the trading market for our ADSs.

Certain shareholder advisory firms have announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our ordinary shares may prevent the inclusion of our ADSs representing Class A ordinary shares in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our ADSs. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our ADSs.

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 litigations 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, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the PRC territory. 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 the difficulties you face in protecting your interests. See also “—You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law” for risks associated with investing in us as a Cayman Islands company.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company with limited liability registered under the laws of the Cayman Islands. Our corporate affairs are governed by our amended and restated memorandum and articles of association, the Companies Law (as amended) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

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

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the U.S. We rely on some of these exemptions. As a result, you may not be provided with the benefits of certain corporate governance requirements of the Nasdaq Global Select Market.

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

Certain judgments obtained against us by our shareholders may not be enforceable.

We are a Cayman Islands company and all of our assets are located outside of the United States. Substantially all of our current operations are conducted in China. In addition, a majority of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside 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 United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from 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 for so long as we are an emerging growth company. We will remain an emerging growth company until the earliest of (a) the last day of fiscal year during which we have total annual gross revenue of at least US\$1.07 billion; (b) the last day of our fiscal year following the fifth anniversary of the completion of our initial public offering; (c) the date on which we have, during the preceding three-year period, issued more than US\$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a “large accelerated filer” under the Exchange Act, which would occur if the market value of the ADSs that are held by non-affiliates exceeds US\$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided by the JOBS Act. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards and we have not elected to “opt out” of this provision. 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.

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices for corporate governance matters that differ significantly from the Nasdaq Global Select Market corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the corporate governance listing standards.

Our ADSs are listed on the Nasdaq Global Select Market. The Nasdaq Global Select Market corporate governance listing standards permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq Global Select Market corporate governance listing standards.

For instance, we are not required to: (i) have a majority of the board be independent; (ii) have a compensation committee or a nominations or corporate governance committee consisting entirely of independent directors; or (iii) have regularly scheduled executive sessions with only independent directors each year. We rely on certain corporate governance exemptions as described in Item 16G (Corporate Governance) of this annual report. As a result, you may not be provided with the benefits of certain corporate governance requirements of the Nasdaq Global Select Market.

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

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

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the Nasdaq Global Select 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 will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information, which would be made available to you, were you investing in a U.S. domestic issuer.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to vote your ordinary shares.

As a holder of our ADSs, you are only able to exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depository. Upon receipt of your voting instructions, (a) if voting is by poll, the depository will vote the underlying ordinary shares in accordance with these instructions and (b) if voting is by show of hands, the depository will vote the underlying Class A ordinary shares in accordance with the voting instructions received from a majority of holders of ADSs who provided truly voting instructions. You are not able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. Under our second amended and restated memorandum and articles of association, the minimum notice period required for convening a general meeting is seven days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depository will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depository to vote your shares. In addition, the depository and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

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 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 Securities Act or Exchange Act) may only be instituted in a state or federal court in New York, 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. 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 federal securities law.

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 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 different outcome than a trial by jury would have had, including results that could be less favorable to the plaintiffs in any such action.

The depository for our ADSs will give us a discretionary proxy to vote Class A ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, except in limited circumstances, which could adversely affect your interests.

Under the deposit agreement for the ADSs, if you do not vote, the depository will give us a discretionary proxy to vote our Class A ordinary shares underlying your ADSs at shareholders' meetings unless:

- we have failed to timely provide the depository with notice of meeting and related voting materials;

- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting may have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that if you do not vote at shareholders' meetings, you cannot prevent our Class A ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our Class A ordinary shares are not subject to this discretionary proxy.

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

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on Class A ordinary shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that 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 under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, Class A ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, Class A ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive 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 cause a material decline in the value of our ADSs.

You may experience dilution of your holdings due to inability to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

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

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is 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.

The requirements of being a public company may strain our resources and divert management's attention.

As a public company, we are subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, the U.S. Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, the Dodd-Frank Act and the listing standards of the Nasdaq Global Select Market as applicable to a foreign private issuer, which are different in some material respects from those required for a U.S. public company. We expect that the requirements of these rules and regulations will increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly, and place significant strain on our personnel, systems and resources. As a result of disclosure of information in this annual report and in filings required of a public company, our business and financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors, shareholders or third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, financial condition and results of operations.

Item 4. Information on the Company

A. History and Development of the Company

In March 2016, our predecessor, Hanyi E-Commerce, was established in the PRC by Hangzhou Ruhnn Holdings Co., Ltd., or Hangzhou Ruhnn, which was owned by our founders, Min Feng, Lei Sun and Chao Shen and several institutional investors.

In preparation for our initial public offering, our founders and the institutional investors of Hanyi E-Commerce undertook a series of equity transactions as described below, or the Equity Restructuring, to re-domicile the holding entity of our business from the PRC to the Cayman Islands.

In May 2018, our company, Ruhnn Holding Limited, was incorporated in the Cayman Islands as the proposed listing entity. The address of its registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. In June 2018, WuHan Investment Limited, or WuHan Investment, was incorporated in the British Virgin Islands as a wholly owned subsidiary of our company. In August 2018, YiHnn (Hong Kong) Limited, or YiHnn HK, was incorporated in Hong Kong as a wholly owned subsidiary of WuHan Investment. In September 2018, Hangzhou Yihan Technology Co., Ltd., or Yihan Technology or the WFOE, was established in the PRC as a wholly owned subsidiary of YiHnn HK.

On October 4, 2018, our company, our founders and the institutional investors of Hangzhou Ruhnn entered into a series of agreements whereby our company issued 319,406,660 ordinary shares to these founders and institutional shareholders at substantially identical ownership percentages as their existing indirect ownership in Hanyi E-Commerce. On the same date, we obtained 100% control over Hanyi E-Commerce through a series of contractual arrangements among the WFOE, Hanyi E-Commerce and its shareholders. These contractual agreements enabled the WFOE to have effective control over and receive the economic benefits of Hanyi E-Commerce. Accordingly, we are considered the primary beneficiary of Hanyi E-Commerce, and are able to consolidate Hanyi E-Commerce and its operating subsidiaries in our financial statements. For more details, please see “—C. Organizational Structure—Contractual Arrangements with Our VIE and Its Shareholders” Under the restructuring agreements, Hangzhou Ruhnn agreed to return to its institutional investors the amounts of their original Renminbi investments in Hangzhou Ruhnn while these investors agreed to pay the U.S. dollar equivalent of such amounts to our company as subscription price for the ordinary shares we issued to them. Hanyi E-Commerce also had amounts due to Hangzhou Ruhnn that were approximately the same as the amounts Hangzhou Ruhnn agreed to return to the investors. In July 2019, Hanyi E-Commerce has fully repaid the amount due to Hangzhou Ruhnn, Hangzhou Ruhnn has returned the original Renminbi investments to its institutional investors, the investors have fully paid the subscription price to our company, and the Equity Restructuring was fully completed.

In March 2019, in order to acquire the remaining ownership of Hangzhou Dayi, and convert it from a 51%-owned subsidiary to a wholly owned subsidiary of Hanyi E-Commerce, we entered into the following agreements with Yi Zhang, one of our top KOLs, and her affiliated entities: (i) an equity interest transfer agreement pursuant to which Hangzhou Wunai Yidui Trade Co., Ltd. agreed to transfer 49% equity interest in Hangzhou Dayi to Hanyi E-Commerce; and (ii) a share purchase agreement pursuant to which we agreed to issue 44,165,899 ordinary shares, which have been re-designated to Class A ordinary shares, to China Himalaya Investment Limited, a company wholly owned by Yi Zhang. These transactions were completed in the same month. In connection with these transactions, Yi Zhang also agreed to continue her exclusive cooperation with us in online sales of women apparel products until the later of five years after the completion of our initial public offering or when her beneficial interests in our company fall below 5%.

On April 3, 2019, we completed our initial public offering of 10.0 million ADS on the Nasdaq Global Select Market, with a price of US\$12.5 per ADS and total offering size of US\$125.0 million. We received net proceeds of approximately US\$116.3 million, after deduction of underwriting discounts and commissions for the initial public offering.

B. Business Overview

Overview

We are a leading internet KOL facilitator in China. We connect influential KOLs who engage and impact their fans on the internet to our vast commercial network to build the brands of fashion products. As of March 31, 2020, we had 168 signed KOLs with an aggregate of 206.3 million fans across major social media platforms in China.

KOLs, also known as influencers, are individuals who have the power to engage and impact people within a specific community or field, such as fashion, culture, entertainment and gaming, and internet KOLs are KOLs who have gained their popularity through the internet. Our founders were among the earliest entrepreneurs in China to identify and capture the commercial opportunities created by the emergence of internet KOLs in China and started to cooperate with KOLs in e-commerce in 2014. We created a KOL ecosystem in China by connecting a large number of KOLs and their fans to create a vast network and connecting this network to a large number of businesses, including brands, online retailers, designers, manufacturers and suppliers, based on existing e-commerce and social media platforms in China, to create value for participants in the ecosystem.

We pioneered the commercialization of the KOL ecosystem through a full-service model whereby we integrate key steps of the e-commerce value chain, from product design and sourcing and online store operation to logistics and after sales services. Under this model, we own and operate online stores on third-party e-commerce platforms, a majority of which are opened in the name of our KOLs, and generate revenue through online sales of our self-designed products to consumers, especially the fans of our KOLs' social media accounts that we manage. We provide professional training and support to our KOLs and help them develop distinctive characters, enhance popularity and grow their fan bases. We also set up different brands for different KOLs and design and produce branded products based on each KOL's distinctive character to cater to the tastes of different KOLs' fan bases, while our KOLs endorse such products in their social media spaces.

As we established our “ruhnn” brand and attracted more talented KOLs, we launched our platform model in 2017 to provide KOL sales and advertising services to brands and other merchants. Under this model, we connect our KOLs with third-party online stores and merchants to promote products sold in third-party online stores or provide advertising services on KOLs' social media spaces to third-party merchants. This new model allows us to operate in a more asset-light manner and collaborate with a greater number and variety of KOLs and brands.

We pride ourselves on our ability to identify and cultivate a large number of promising internet KOLs in an efficient and sustainable manner. The flexibility of our business and revenue model also enables us to work with a diversified KOL pool, including KOLs with different fashion styles, personalities and fan bases, and serve the different needs of various types of businesses. The number of our KOLs increased from 83 as of March 31, 2018 to 128 as of March 31, 2019 and further to 168 as of March 31, 2020.

Our KOLs have a large, young, active and loyal fan base. The aggregate number of our KOLs' fans increased from 103.4 million as of March 31, 2018 to 155.1 million as of March 31, 2019 and further increased to 206.3 million as of March 31, 2020. As of March 31, 2020, more than 75% of our KOLs' fans were millennials, and more than 76% of them were female, fashion pursuers and frequent online shoppers. The interactions between our KOLs and their fans enable them to learn more about our products, which we believe have significantly increased the likelihood of their fans placing orders with us. We believe our KOLs' fans are also loyal customers and have strong emotional bonds with our KOL brands. Approximately 38%, 37% and 45% of customers of our online stores made two or more purchases with us in fiscal years 2018, 2019 and 2020, respectively. As we launched our platform model, we believe our KOLs' fan base also helps brands and third-party online retailers that use our KOL sales and advertising services to more effectively market and sell their products.

We have utilized the latest technology to improve our operations and maintain competitiveness. We rely on data analysis and innovative technology to help our KOLs produce engaging content and more effectively interact with their fans to increase their popularity. We have also invested in companies that develop AI solutions relevant to our business, such as AI Data, and implemented big data analytics to optimize our business and operations.

We have two revenue streams. Revenue from our product sales through full-service model increased 3% from RMB912.5 million for fiscal year 2018 to RMB942.8 million for fiscal year 2019, and increased 5% from RMB942.8 million for fiscal year 2019 to RMB992.6 million (US\$140.2 million) for fiscal year 2020. Revenue from our services through platform model increased by approximately 3.3 times from RMB35.1 million for fiscal year 2018 to RMB150.7 million for fiscal year 2019, and increased over 100% from RMB150.7 million for fiscal year 2019 to RMB303.2 million (US\$42.8 million) for fiscal year 2020. We continue prioritizing our investment in growth and incurred a net loss of RMB90.0 million for fiscal year 2018, RMB84.9 million for fiscal year 2019 and RMB97.8 million (US\$13.8 million) for fiscal year 2020.

Our KOL Ecosystem

With the emergence of KOL economy, a new ecosystem centered around KOLs has formed and changed the manner in which businesses are connected to consumers. It is also transforming the online retail industry in China. As a leading China internet KOL facilitator in e-commerce, we help connect a large number of KOLs and their fans to create a vast network and connect this network to a large number of businesses, including brands, online retailers, designers, manufacturers and suppliers to create value for participants in the ecosystem.

Our first-mover advantage in the KOL ecosystem enables us to partner with players in the new retail industry, integrating online, offline, supply chain and data. In the KOL ecosystem, KOLs replace traditional sales and marketing channels and enable two-way communication between businesses and consumers. Based on a deep understanding of the social relationship between KOLs and their fans, we are able to identify potential customers, stimulate consumer needs and promote consumers into becoming brand ambassadors who effectively co-create a brand with the respective KOLs. Moreover, we have developed a business model that brings online retail into a new era from push to pull whereby consumers influence businesses on what to produce and sell and businesses anticipate demand before production.

More participants in the ecosystem lead to greater value for each participant, which in turn attracts more participants with more usage, and thereby creates a self-reinforcing network effect. Such network effect has brought us a variety of brands and merchants, including those who sell apparel, accessories, electric appliances, as well as a number of popular cosmetics brands. It also enables us to explore more monetization opportunities by leveraging the extensive KOL pool and fan base on our KOL sales and marketing platform.

Our Business Models

We currently generate revenue from the following two business models:

- product sales through our full-service model that mainly includes sale of our self-designed products in our online stores and we also manage the entire e-commerce value chain; and
- services through our platform model that mainly include (i) KOL sales services to third-party merchants who hire our KOLs for a period of time to promote their products or services in their online stores; and (ii) KOL advertising services to third-party merchants who use our KOLs in one-off nature to promote their products or services.

The following table sets forth the revenue breakdown by product sales and services for the fiscal years presented:

	Year Ended March 31,					
	2018		2019		2020	
	RMB	%	RMB	%	RMB	US\$
	(Amounts in thousands, except percentages)					
Net revenue:						
Product sales	912,512	96	942,781	86	992,603	140,182
Services	35,068	4	150,657	14	303,247	42,827
Total net revenue	947,580	100	1,093,438	100	1,295,850	183,009

We are a leading pioneer who capitalized on the commercial value of our KOL ecosystem and started with a full-service model whereby we carry out the entire e-commerce operation and collaborate with top-tier KOLs who have attracted tens of millions of fans. Under the full-service model, we leverage our top-tier KOLs' popularity to promote and sell products on our online stores. We owned and operated 19 online stores as of March 31, 2020, through which we sell our self-designed products. KOLs post photographs, video clips and microblogs on their social media pages to promote the products sold on our online stores, and include hyperlinks to the online stores to direct and convert social media traffic to online store purchases. Products sold in our online stores mainly include women's apparel, shoes and handbags, and we expect to expand into additional product categories in the future.

We and our KOLs have clearly delineated responsibilities and devoted resources to make the collaborations successful. A majority of our online stores are opened in the name of our KOLs and only sell products catering to the tastes of the respective KOLs' fans and endorsed by the KOLs in their social media spaces. The KOLs agree to use their images and social networks accounts exclusively for the promotion and sale of products designated by us. They post lifestyle content on social media platforms, such as Weibo and WeChat, that promote brands and products designated by us, interact with their fans, share thoughts and ideas, convey messages about our products to potential consumers and solicit feedback that help us design products that fit the style of our KOLs and customers. To convert traffic on social media to purchases in online stores, KOLs provide hyperlinks to our online stores from their blogs to help fans find and purchase our products conveniently. On the other hand, we own and directly control and operate the online stores and are responsible for store setup and maintenance, merchandising, payment collection, supply chain management and customer service. We have an operations team that helps ensure that our online stores are artfully presented, and refreshed in keeping up-to-date with our new product launches. Our operation team regularly works with our KOLs in producing the most updated digital content, including product photography, site banners and other promotional content.

Our product sales revenue is generated from sales of various fashion and lifestyle products to consumers mainly through our online stores under the full-service model. Our full-service model contributed the majority of our total net revenue generated from fiscal years 2018, 2019 and 2020, accounting for 96%, 86% and 77% of our total net revenue, respectively. Revenue from our full-service model increased by 3% from RMB912.5 million for fiscal year 2018 to RMB942.8 million for fiscal year 2019, and increased by 5% to RMB992.6 million (US\$140.2 million) for fiscal year 2020. Product sales revenue from our full-service model as a percentage of our total net revenue will likely decrease in the future as we strive to achieve dynamic balance between our business models according to industry trends and our working capital levels.

We generally enter into cooperation agreements with our KOLs. Cooperation agreements provide a contractual term, general work description and certain rights and obligations of a KOL. In particular, cooperation agreements render us the exclusive right to operate online stores in the name of KOLs and enable us to use the KOLs' portrait rights, name rights and other intellectual property rights free of charge. For details, please see "— Our KOLs — Key Information of Our Selected KOLs." As of March 31, 2020, there were 168 KOLs that entered into cooperation agreements with us. Under the cooperation agreements, KOLs are entitled to KOL service fees. The amount of KOL service fees is determined based on a variety of factors, including sales made in the online store, types of products and services facilitated, popularity of the KOL and other market factors. Our KOLs under full-service model are entitled to different ranges of service fees according to the products they sell and promote. For example, as of March 31, 2020, KOLs on our clothing online stores are typically entitled to approximately 8% of revenue or approximately 15% of operating cash inflows from such online stores.

Platform Model

We launched the platform model in 2017 which allows us to operate in a more asset-light manner and collaborate with a greater number and variety of KOLs. Under the platform model, we serve as a platform where we provide KOL sales and advertising services to brands and other merchants. Leveraging the greater flexibility of our platform, we are able to collaborate with more established and emerging KOLs in addition to top-tier KOLs. Established and emerging KOLs have smaller fan bases on social media platforms but they manage to maintain closer bonds with their fans who belong to the same peer group with similar interests, backgrounds, social status, wealth and aesthetic preferences. We usually reach out to KOLs who have already built their fan bases ranging from five to twenty thousand. We invest in their social media accounts by developing their distinctive characters and providing industry insights, market trends and other resources. After we have successfully built up KOLs' social media accounts and enlarge their fan bases, we begin to look for brands whose products are suitable for each KOL's style and charisma.

We leverage our platform to provide a variety of services, including KOL sales services and KOL advertising services. For example, with respect to KOL sales services, we cooperate with third-party online retailers to leverage the popularity of our KOLs to promote products and services, in which case we charge online retailers a service fee based on the sales. To further leverage the popularity of our KOLs and explore additional monetization channels, we have been devoted to creating innovative KOL advertising services. Customers of our KOL advertising services primarily include global leading brands and other merchants who use our KOLs to promote their products or services either on their social media spaces or offline. Our KOLs participate in numerous types of advertising campaigns, such as graphic advertisements, short videos and live streaming.

Our KOLs worked with global leading brands. Additionally, our KOLs have worked with a variety of businesses, including travel agencies, app designers and childcare institutions to promote their products and services.

For KOL sales services, we typically enter into cooperation agreements with third-party merchants for specified terms under which our KOLs promote and sell either all or some of the products or services for them in third-party online stores, while they pay us services fees. Third-party online stores are primarily managed in two manners, including joint-stores and sharing stores. For online joint-stores, we partner with third-party merchants who own and manage the joint-stores, where our KOLs are responsible for providing sales services in the joint-stores. For online sharing stores, they are online stores opened in the names of our KOLs but they do not sell any product or service directly. Instead, customers will be directed through hyperlinks from the sharing stores to the third-party online stores that are actually selling these products and services to place their orders. Third-party merchants are responsible for the order fulfillment and after-sale services for their respective products and services sold. Through sharing stores, our KOLs are able to promote products of multiple third-party merchants in one sharing store. We collect our services fee based on a fixed percentage of total sales generated through the online joint-stores and sharing stores. We, in turn, pay our KOLs service fees, which are determined based on a variety of factors, including sales made in third-party online store or of sales of specified products sold in third-party online store, types of products and services facilitated, popularity of the KOL and other market factors. Our KOLs under platform model are typically entitled to 30%-50% of the sales and marketing service revenue we obtain from third-party merchants.

For KOL advertising services, we typically enter into advertising contracts with third-party merchants in one-off nature under which we place advertisements on a number of KOLs' social media spaces to promote their products, while they pay us a fixed and pre-determined service fee. We, in turn, pay our KOLs a fixed and pre-determined KOL service fee for using their social media spaces.

Platform services revenue increased by approximately 3.3 times from RMB35.1 million for fiscal year 2018 to RMB150.7 million for fiscal year 2019, and further increased by 101% to RMB303.2 million (US\$42.8 million) for fiscal year 2020.

We continue increasing our revenue from our platform model and we also expect the sales volume under our platform model as a percentage of our total sales volume will grow in the near future. Some of our KOLs who sell and promote products designed by us under our full-service model also leverage their influence on social media to sell and promote products designed by third-party merchants under our platform model. In order to avoid compromising our KOLs' sales efforts between two models, we set annual product release plans for our new product launches, so our KOLs can arrange their work schedules to accommodate both work streams in advance. In addition, products designed by us and sold in our online stores under our full-service model are mainly women's apparel while products designed by third-party merchants and sold in their online stores under our platform model are primarily cosmetics and daily necessities such as laundry detergent. Products designed by us and sold in our online stores under our full-service model generally do not compete with products designed by third-party merchants and sold in their online stores under our platform model. Moreover, KOLs' cooperation with third-party brands also helps increase KOLs' exposure to the public and attract more fans and potential buyers of products designed by us. For example, KOLs who work with third-party major brands and design collaborated products are able to grow their fan bases leveraging the popularity of major brands and in turn, promote our products to new fans, thus forming a virtuous circle. As such, we believe KOLs serving under our platform model are also able to efficiently sell and promote products designed by us. We expect to continue exploring new monetization opportunities and further expand our revenue sources. We expect to dynamically adjust the proportion of our revenue from different revenue sources in response to changes in industry trends and our financial condition.

Our KOLs

KOLs are individuals who have established credibility and authority in a particular field through public exposure and social interaction and therefore have substantial influence over their peers and fans. In the digital social media era, most KOLs built up their popularity through posting content and interacting with their fans on social media platforms, such as Weibo, Douyin, Kuaishou and Bilibili. Our KOLs function as lifestyle gurus who present a particular lifestyle or attitude to their fans and, in such role, they become crucial influencers to their fans in fashion and lifestyle-related purchase decisions.

The following table presents our classification of KOLs purely based on GMV facilitated under both the full-service model and platform model, as of the dates and for the fiscal years indicated:

	As of and for the fiscal year ended March 31,					
	2018		2019		2020	
	Number of KOLs	Number of Fans ⁽¹⁾ (In millions)	Number of KOLs	Number of Fans ⁽¹⁾ (In millions)	Number of KOLs	Number of Fans ⁽¹⁾ (In millions)
Top-tier KOLs ⁽²⁾	3	21.0	3	34.6	3	37.9
Established KOLs ⁽³⁾	7	17.5	8	31.4	11	38.9
Emerging KOLs ⁽⁴⁾	73	64.9	117	89.1	154	129.5
Total	83	103.4	128	155.1	168	206.3

(1) The number of fans presented may include a single fan who was included multiple times if the fan follows more than one KOL, follows the same KOL across multiple platforms, or both.

(2) Top-tier KOLs facilitated GMV of above RMB100.0 million in the past twelve months.

(3) Established KOLs facilitated GMV of RMB30.0 million to RMB100.0 million in the past twelve months.

(4) Emerging KOLs facilitated GMV of less than RMB30.0 million in the past twelve months.

The following table presents key operation data by full-service model and platform model:

	As of and for the fiscal year ended March 31		
	2018	2019	2020
Full-Service Model(1)			
Number of the Company's KOLs serving such business model(2)	33	14	3
Number of the Company's online stores	86	56	19
Number of orders placed through the Company's online stores (in million)	7.5	7.0	7.5
Product sales revenue under the full-service model (RMB in million)	912.5	942.8	992.6
Platform Model(3)			
Number of the Company's KOLs serving such business model(2)	57	122	137
Accumulated number of brands the Company cooperated with	166	632	1,035
Number of brands the Company cooperated with during the period	166	507	735
Services revenue under the platform model (RMB in million)	35.1	150.7	303.2

- (1) Under the full-service model, we own and operate online stores on third-party e-commerce platforms, a majority of which are opened in the name of our KOLs, and generate revenue through online sales of our self-designed products to consumers, especially the fans of our KOLs' social media accounts that we manage.
- (2) Certain KOLs under our full-service model overlap with those under the platform model. On the other hand, our KOLs that were undergoing training and had not started generating revenue under either of the business models as of the relevant date, were not included in these numbers.
- (3) Under the platform model, we connect KOLs with third-party online stores and merchants to promote products sold in third-party online stores or provide advertising services on KOLs' social media spaces to third-party merchants.

As a result of the significant expansion of our business under the platform model, we generated an increasing amount of services revenue from advertising services provided through our KOLs that does not have associated GMV. As an additional measure to assess our KOLs' performance, we adopted a new classification structure for our KOLs based on the total services revenue generated by the KOLs under the platform model during the previous twelve months. The following table presents our classification of KOLs who generated services revenue of RMB1.2 million or more in the past twelve months under the platform model:

	As of and for the fiscal year ended March 31,					
	2018		2019		2020	
	Number of KOLs	Service Revenue (RMB in millions)	Number of KOLs	Service Revenue (RMB in millions)	Number of KOLs	Service Revenue (RMB in millions)
Platform Top-tier KOLs(1)	-	-	1	12.9	8	133.8
Platform Established KOLs(2)	1	9.3	12	58.4	14	77.2
Platform Emerging KOLs(3)	2	2.8	9	17.3	15	32.5

- (1) Platform top-tier KOLs generated services revenue of RMB10.0 million or more in the past twelve months under the platform model.
- (2) Platform established KOLs generated services revenue of RMB3.0 million to RMB10.0 million in the past twelve months under the platform model.
- (3) Platform emerging KOLs generated services revenue of RMB1.2 million to RMB3.0 million in the past twelve months under the platform model. KOLs that generated services revenue of less than RMB1.2 million in the past twelve months were not included in this table.

Key Information of Our Selected KOLs

We enter into cooperation agreements with our KOLs, under which we have the exclusive right to provide monetization channels for our KOLs, including operating online stores, joint-stores or online sharing stores in the name of our KOLs, or providing other sales and advertising services. We are entitled to use KOLs' portrait rights, name rights and other intellectual property rights free of charge.

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Below is a summary of key information of selected top-tier KOLs, including platform top-tier KOLs, as of March 31, 2020:

Name	Major online stores(1)	Major social media accounts(2)	Term(3)	Exclusivity
Yi Zhang, a.k.a. Dayi Zhang (张大奕)	My Favorite Wardrobe (吾欢喜的衣橱); Milk Scent/Fragrance Best Lingerie (奶香的奶罩); Sold-out Dresses Outlet (裙子卖掉了 Outlets); Sold-out Candles (蜡烛卖掉了); Big Eve Flagship Store.	Weibo name: Zhang Dayi eve (张大奕eve)(4); Weitao name: My Favorite Wardrobe (吾欢喜的衣橱)(4). Over 26 million fans in total.	The later of (i) April 3, 2024, or (ii) when the beneficial ownership of Yi Zhang in ruhnn falls below 5%.	We are Ms. Zhang's exclusive partner for her e-commerce business.
Sijia Chen, a.k.a. Libeilin (莉贝林)(5)	Libeilin sisy (莉贝林sisy).	Weibo name: Libeilin (莉贝林); Weitao name: Libeilin sisy (莉贝林sisy). Over 3 million fans in total.	Effective from April 1, 2016 to March 31, 2021.	We are Ms. Chen's exclusive partner for her e-commerce business.
Yiman Chen, a.k.a. Man Man (满满)	Man Man's sharing store (满满的分享店).	Weibo/Bilibili name: Man Man Cyim (满满Cyim) Over 4 million fans in total.	Effective from May 12, 2017 to May 11, 2022.	We are Ms. Chen's exclusive agent for commercial activities.
Yang Chen, a.k.a. Baojian Sao (宝剑嫂)	N/A	Bilibili/Weibo name: Baojian Sao (宝剑嫂). Over 5 million fans in total.	Effective from April 28, 2018 to April 27, 2023.	We are Ms. Chen's exclusive agent for commercial activities.
Jingwan Xu, a.k.a. Wen Wan (温婉)	Wen Wan's sharing store (温婉的分享店); Wen Wan's Kuaishou store (温婉的快手小店).	Weibo name: Wenwan (温婉Wenwan_); Kuaishou name: Wenwan (温婉_Wenwan) Over 5 million fans in total.	Effective from June 26, 2018 to June 25, 2023.	We are Ms. Xu's exclusive agent for commercial activities.
Chong Wang, a.k.a. Chongchong (虫虫)	Chonny Cosmetics (虫虫Chonny美妆店).	Weibo/xiaohongshu name: Chongchong Chonny (虫虫Chonny); Douyin name: Chonny Couple (毛毛虫夫妇). Over 7 million fans in total.	Effective from July 30, 2016 to April 29, 2021.	We are Ms. Wang's exclusive agent for her e-commerce business and agent for commercial activities.
Xia Yang (杨霞)	N/A	Weibo/Douyin/Xiaohongshu name: Yang Xia-Sunny (杨霞-Sunny). Over 6 million fans in total.	Effective from July 19, 2016 to July 18, 2021.	We are Ms. Yang's exclusive agent for commercial activities.
Jingwen Peng, a.k.a. Agent Peng (彭特务)	N/A	Weibo name: Agent Peng (彭特务) Over 4 million fans in total	Effective from July 28, 2017 to July 27, 2022.	We are Ms. Peng's exclusive agent for commercial activities.
Guanghan Wang, a.k.a. Hannah (憨娜)	Hannah's sharing store (憨娜的分享店).	Weibo/Douyin/Kuaishou/Bilibili name: Hannah Hannah (憨娜Hannah). Over 2 million fans in total.	Effective from July 31, 2018 to July 30, 2023.	We are Ms. Wang's exclusive agent for commercial activities.

(1) Contains different types of major online stores opened in the name of respective KOLs, including online stores under full-service model, online joint-stores and online sharing stores under platform model. Online stores in the name of Yi Zhang and Sijia Chen are self-owned online stores under full-service model, usually opened on the Alibaba platform. The online store in the name of Chong Wang is a joint-store. Online stores in the name of Yiman Chen, Jingwan Xu and Guanghan Wang are online sharing stores.

For online stores under full-service model, we control the whole e-commerce process and we manage the online stores of and provide relevant training and advice to our KOLs. Both online joint-stores and sharing stores are under the platform model. For online joint-stores, we partner with third-party merchants who own and manage the joint-stores, where our KOLs are responsible for providing sales services in the joint-stores. For online sharing stores, they are opened in the names of our KOLs but they do not sell any product or service directly. Instead, customers will be directed through hyperlinks from the sharing stores to the third-party online stores that are actually selling these products and services to place their orders. Third-party merchants are responsible for the order fulfillment and after-sale services for their respective products and services sold. Through sharing stores, our KOLs are able to promote products of multiple third-party merchants in one sharing store. We collect our services fee based on a fixed percentage of sales generated through the online joint-stores and sharing stores.

(2) Contains KOLs' names on their major social media accounts, including Weibo, Weitao, Douyin, Kuaishou, Bilibili, and the total number of their respective fans as of March 31, 2020. We usually have the right to use and manage the KOL's social media accounts. The KOL authorizes us to use her name, image and articles/photos published on her social media accounts free of charge.

(3) Starting from 2017, the cooperation agreements we entered into with our KOLs normally provide that the contractual term will automatically renew for a period of two or three years if the KOL's revenue or number of new fans reaches a certain threshold during the initial contract term. However, KOLs may decline automatic renewal by notice to us prior to the expiration of the initial contract term but cannot terminate the agreement prior to the end of the contractual term.

(4) Ms. Zhang authorizes us to use their images, names and articles/photos published on their social media accounts free of charge.

(5) Sijia Chen is the spouse of Min Feng, our founder and chairman. She was previously our design director who had entered into an employment contract with us. She resigned in May 2019 and has since entered into a cooperation agreement with us.

Identification, Cultivation and Management of Our KOLs

We seek to identify talented KOLs to attract more fans and potential customers. To this end, we capitalize on our extensive experience in the industry. Our founders started cooperating with KOLs to sell products on online marketplaces in 2014 and have experienced a rapid growth since then. Our success lies in the ability to identify and bring to our ecosystem talented KOLs that we believe have strong potential. We scout new KOLs via social media, such as Weibo, Douyin, Bilibili, Kuaishou and various other social media platforms. Our selection criteria include a KOL candidate's number of fans, skills to interact with fans, personal charisma, attitude, market tactics and distinctive character. To test our KOL candidates' potential, we may also provide certain training, such as styling and use of social media, to the candidates before we enter into agreements with them in order to evaluate their ability to learn and improve in a short period of time.

We invest in our signed KOLs through training, professional support and online marketing efforts to increase their exposure on social media platforms. We offer training courses, such as styling, photography and photo editing, still modeling, clothing selection, use of social media, supply chain fundamentals and e-commerce fundamentals. It usually takes us five to eight months to fully develop a KOL after we enter into agreement with her.

In order to avoid negative publicity and maintain our brands' reputation, we manage and monitor our KOLs' social media platforms closely. We have the right to terminate the cooperation agreements with our KOLs who are involved in any inappropriate conducts that would damage our reputation.

Marketing and Fashion Capabilities to Support Our KOLs

We provide marketing support to our KOLs, including social media planning capabilities, AI solutions, and data analytics. We identify social media platforms that our intended audience is most likely to visit and design advertising campaigns crafted to have the most impact on the targeted audience. Our social media planning capabilities enable us to strategically target the reach of online advertising campaigns. We also engage in search engine optimization and marketing for our online stores.

We worked with our investee company to develop a proprietary AI system, AI Data, which assists KOLs with clothing design and selection. In addition, by leveraging AI solution, we help KOLs to produce creative content to be used on their respective social media platforms as well as our online stores. We operate an in-house, professional photography studio in Hangzhou to create digital product images for product features, promotions and advertising campaigns. We also employ a team of copywriters who produce product descriptions and related content, such as consumers' guides, sizing charts, product tours and comparison shopping tools.

Moreover, we use the data we collect from our database and reporting system to understand customers' online shopping habits and apply these insights to help KOLs to create impactful marketing campaigns. We believe performance-based marketing is key in boosting visitor traffic on KOLs' social medial platforms and our online stores and increasing conversion and overall transaction volume.

Our Customers

Consumers

Under the full-service model, our customers are consumers who purchase our products on our online stores. We had a dedicated customer service team of 17 employees and 145 contractors as of March 31, 2020. Our customer service team responds to inquiries made through our online stores and handles customer complaints. We assign one manager to each KOL online store to handle daily operations and customer communication. In particular, pre-sale questions relating to product details comprise most of the questions we receive from customers, and we believe that a great pre-sale customer service experience could encourage customers' purchases.

We provide our consumers product warranties and return policy. As most of our online stores are opened on Taobao, we typically accept Taobao's consumer protection agreement, which provides that within 15 days of receipt of product the consumer can return the product and obtain a refund if the product has quality issues or does not match the description. In addition, our online stores typically promise that within seven days of receipt of product the consumer can return the product without specifying reasons. Orders placed by consumers on our online stores may also be cancelled for various other reasons. First, Taobao's settlement system will cancel the order if the buyer fails to make a payment within one day after placing an order. Second, Taobao's settlement system will also cancel the order and refund the buyer if (i) the buyer has paid but the seller fails to put the product in transit within 72 hours after the buyer's payment or a predetermined timeframe, (ii) the buyer did not receive the product and the seller fails to respond to the buyer's inquiry within five days after receiving such inquiry, or (iii) the buyer has paid but the seller fails to notify Taobao that the product has been delivered within 365 days after the buyer's payment. The consumer can also cancel the order and receive a refund if he or she did not receive the product on the expected delivery date. We did not experience any material product recall orders, penalties, claims or customer complaints due to product quality issues for fiscal years 2018, 2019 and 2020.

Brands and Online Retailers

Under the platform model, our customers are brands and other online retailers, who use our KOLs to promote and sell their products and services. As of March 31, 2020, we have cooperated with 1,035 brands.

Seasonality

We generally experience a lower level of sales in the fourth quarter of each fiscal year due to the Chinese New Year holiday, during which consumers generally spend less time on our KOLs' social media spaces and on online shopping, while we usually have higher sales in the third quarter of each fiscal year due to sales on Singles Day in November, Double Twelve in December and sales of fall and winter apparel, which typically have a higher average selling price than spring and summer apparel. See "Item 3. Key Information— D. Risk Factors — Risks Relating to Our Business and Industry — Our results of operations are subject to fluctuations due to the seasonality of our business and other events."

Our Suppliers

We outsource the manufacturing process to third-party manufacturers and we manage sales orders and payment collection through our proprietary ERP system, which integrates with our other technology platforms to help ensure smooth online transactions. As such, our suppliers mainly include fabric suppliers, wholesaler clothing providers, manufacturers and logistics service providers. As of March 31, 2020, we had over 700 fabric suppliers, wholesale clothing providers and manufacturers on our supplier list who had worked with us and with which we expect to continue our business relationship in the near future. We carefully evaluate market demands for each product based on KOLs' interaction with their fans and other marketing intelligence and we take a conservative approach to minimize our inventory risk.

Fabric Suppliers, Wholesale Clothing Providers and Manufacturers

Fabric Suppliers and Wholesale Clothing Providers

Our designers work closely with trendy wholesale clothing providers and fabric suppliers to source sample clothes and fabrics required for mass production. We invite our KOLs to try on these sample clothes, and we make alterations, adjust sizes and patterns, and add decorations and other personal elements on these sample clothes to highlight each KOL's personal style. In addition, we leverage our AI solution, AI Data, to improve design process by critiquing design choices and providing alternatives after considering design variables. Our KOLs wear these tailor-made sample clothes and post pictures on their social media spaces inviting comments and feedback.

We enter into framework agreements with fabric suppliers and wholesale clothing providers which set out key terms, including quality standards, process requirements, delivery methods, packaging, quality assurance process, payment methods, exclusivity as to certain fabrics and sample clothes, service periods and other standard terms. We are typically required to prepay 30% of the purchase price to the fabric suppliers and wholesale clothing providers. In addition to framework agreements, we place orders one-off in nature that specify good specification, quantity, price, delivery time and location.

Manufacturers

By taking into consideration KOLs' and fans' feedback, we decide which items are more attractive and popular and send them to third-party manufacturers for commercial production. We engage third-party manufactures to produce our self-designed products, primarily including apparel, accessories and cosmetics. We typically allow manufacturers to source their own materials and fabrics according to our specifications, and we provide fabrics to manufacturers where we have special requirements as to the products.

We enter into framework agreements with manufacturers which set out key terms, including work allocation, quality and technology standards, packaging, delivery methods, risk allocation, quality control process, payment methods, service period and other standard terms. In addition to framework agreements, we place orders one-off in nature that specify product specification, quantity, price, delivery time and location. We evaluate each manufacturer's performance after each transaction based on a variety of factors, such as timely delivery of products, costs effectiveness, product quality, sufficiency of working capital and satisfactory communication. In addition, we conduct annual review of each of our manufactures to decide if such manufacturer is suitable for future cooperation. For fiscal years 2018, 2019 and 2020, respectively, purchases of goods from our top five suppliers accounted for 21%, 18% and 19% of our total purchase amount.

Logistic Service Providers

We partner with leading nationwide and local logistics service providers to ensure reliable and timely delivery. For example, we engage a number of trustworthy logistics service providers, including SF Express, one of the largest express delivery services in China. We are able to achieve delivery within 32 hours across China, except for certain rural areas in Xinjiang and Tibet.

We track and manage logistics on our enterprise resource planning system, or ERP system. It not only ensures smooth logistics but also manages the entire fulfillment process, including procurement, order tracking, production, logistics and payment receipt. For more details, please see “— Technology — Management Systems — ERP System.”

Selection Process and Quality Control

We have a prudent supplier selection process, which involves trustworthy referral, background check, preliminary review, on-site visit, trial production and sampling, and the team in charge usually consists of product managers, supplier management staff, quality control staff and internal control staff. We conduct an overall evaluation of each supplier’s facility capacities, worker qualifications, raw material quality, cost structure, production plans and technological capabilities.

We strictly follow our internal quality control and assurance policies throughout the sourcing and production process. Our quality control team conducts site visits at the manufacturers’ facilities and monitors closely the quality of fabrics, materials and finished products as well as the manufacturing process. We also examine product samples at the production testing stage to try to make sure they satisfy all requirements set forth in the agreements before mass production.

Warehouse Management

We operated two warehouses with an aggregate gross floor area of approximately 48,926 sq.m. in Zhejiang province as of March 31, 2020. In June 2020, we terminated certain warehouse lease contracts covering 32,426 square meters as a result of the government expropriation plan. Meanwhile, we entered into new warehouse lease contracts with third-party landlords in Zhejiang province for an aggregate of 35,952 square meters. Our warehouses cater to different raw materials, product categories and brands. At each warehouse, inventory is bar-coded and tracked through our warehouse management system, allowing real-time monitoring of inventory levels across our network. We purchased a warehouse management system, or WMS, which is customized to account for variance in arrangements between KOLs and their respective consumers and differences in product specifications, and we are able to closely monitor each step of the fulfillment process from the time a purchase order is confirmed and the product stocked in our warehouses, up to when the product is packaged and picked up by a logistics services provider for delivery to a consumer. For more details about our WMS, please see “— Technology — Management Systems — WMS”. In addition, we leased and installed an automated warehouse system in one of our warehouses that features automatic storage and retrieval handling. This system not only improves management efficiency of the warehouse but also increases the capacity of the warehouse by approximately three times. During the week following Singles Day in 2019, our warehouse management system processed over 562,600 orders, showcasing our ability to support an enormous flow of transaction and order traffic.

As of March 31, 2020, we have a dedicated team of 18 employees and 136 contractors responsible for warehouse management and processing. They also closely monitor the speed and service quality of the logistics services providers through consumer surveys and feedbacks from consumers to help ensure their satisfaction.

Technology

In the emerging new retail industry, technology is key to our success in achieving efficiency for our business, improving the user experience, and enabling innovation. We have made significant investments and plan to continue to invest in developing our technology platform to deliver solutions that aim to address e-commerce needs for our brand partners. The principal components of our technology infrastructure include:

Big Data Analytics

As we operate a unique full-service model and provide end-to-end solutions, we have access to all kinds of data throughout the entire value chain in the KOL ecosystem. We collect and analyze a massive amount of data daily through tracking fashion posts and images on social media and brands’ official websites, and we also collect and analyze historical sales records and our consumer profiles on Taobao. With such data, we are able to provide satisfactory products and services to our fans, consumers, brands and other customers, and to understand and meet their changing needs. In addition, we collect and analyze our warehousing and shipment data to design a more efficient logistics plan.

AI Solutions

With access to a massive amount of data that we have accumulated over time, we believe we are in a unique position to develop innovative AI solutions for the benefit of our e-commerce value chain. We have utilized AI Data, an AI solution that we developed with our investee company. AI Data improves the design process by critiquing design choices and providing alternatives after considering key design variables. It establishes personalized databases for KOLs by collecting a massive amount of data daily by tracking fashion posts and images on social media and brands' official websites, and categorizing them according to different types, styles, fabrics, colors of apparel and different ways to match clothing. AI Data also integrates historical sales records of each category of apparel and clothes on Taobao for KOLs' and designers' reference. It not only guides KOLs' extensive recommendations on their social media platforms, creating fashion trends among fans, but also guides designers to launch new customized products on KOL online stores to fit variable demands of KOLs' fans.

KOLs and designers can access our AI Data via both mobile application and computer webpage. It provides subscribers advanced functions. For example, subscribers can opt in or opt out of certain categories of apparel or certain online stores where they do or do not want to collect relevant images or historical sales records to create a customized database.

Management Systems

- **WMS:** it is a real-time system that assists us in major aspects of our logistics operations, such as managing stock keeping units, palletizing, replenishing stocks, receiving and shipping merchandises, sorting and organizing inventories, keeping transaction records, pick-and-pack, and monitoring progress to increase efficiency. In addition, the WMS allows us to lower the cost of labor as it has the ability to follow operating procedure presets and automatically create and execute an action plan upon receiving an order.
- **ERP system:** it is a real-time proprietary technology that manages the entire transaction process, including procurement, order tracking, production, logistics and payment receipt. Our ERP system is built on an order management system and is integrated with our WMS. It has the ability to consolidate and process orders from our various online stores. Once the order is processed, a notice is sent to our WMS to arrange for distribution and dispatch of the merchandise. Our ERP system also tracks order statuses, creates customer profiles, and manages post-sales services such as order canceling, product returns and refunds. These functions help us increase the efficiency and lower the cost of our order fulfillment process. In addition, KOLs are able to track the status of each product in their respective online stores, including its launch, pre-order amount, commercial production, warehouse arrival, delivery to consumers, historical sales record and other information that is helpful for KOLs to communicate with fans and consumers.

In addition, to cope with the increasing demand from our platform model, we started the research and development of our KOL Platform, a proprietary technology platform, which enables brands and merchants to place their orders for KOL sales services online as well as complete the whole cooperation process online, including submitting product samples and pictures, arranging KOL live streaming schedule, signing cooperation agreements, billing and settlement. The KOL Platform, capitalizing on AI technology, intelligently matches brands and merchants with suitable KOLs in our KOL pool.

Moreover, given that key opinion consumers, also known as KOCs, who test and review products and share their opinions and comments on social media, are playing an increasingly important role in many consumers' decision-making process, we are also developing KOC Community, a proprietary technology platform, aiming to reach a broad population of KOCs and monetize their content. KOCs will be able to earn credits and awards by sharing content on our KOC Community and we plan to provide KOCs who have greater potential with free trainings and cultivate them to be successful KOLs.

As of March 31, 2020, we had a technology team with more than 40 engineers. Many of our engineers have post-graduate degrees and have prior working experience in leading internet companies in China. For fiscal years 2018, 2019 and 2020, our expenses related to IT department, which undertakes many of our research and development activities, amounted to RMB11.7 million, RMB10.3 million and RMB11.2 million (US\$1.6 million), respectively.

Marketing

In addition to leveraging our KOLs' popularity and influence, we employ a variety of methods to attract potential fans, consumers, merchants and other ecosystem participants and promote our products, services and brands. Our marketing capabilities include a dedicated marketing team and word-of-mouth marketing. We have built a dedicated marketing team that is responsible for communicating with branded merchants and online stores on social media to promote the effect of the marketing services of ruhnn. We also leverage the influence of word-of-mouth, which is information from industry players and customers about our products, services or brands. We initiated a slogan "For KOL Sales, Look to ruhnn" to attract more brands, merchants and other participants to join our KOL ecosystem. We believe our word-of-mouth strategies and campaigns encourage KOL ecosystem participants' engagement with our brands and drive their desire to purchase our products or use our services.

Competition

We face competition principally from other China internet KOL facilitators in e-commerce. These competitors generate significant traffic and have established brand recognition, significant technological capabilities and significant financial resources.

We compete to attract, engage and retain talented KOLs based on the wide range of training and professional support we provide. We also compete for motivated and effective talent and personnel, including product designers and engineers to develop compelling products and communication tools and functions for participants in our ecosystem.

In addition, we compete to attract and retain brands, online retailers and other merchants based on our size and the engagement of fans and consumers, the effectiveness and value of the marketing services our KOLs offer, commission rates and the usefulness of the services we provide including data and analytics for potential customer targeting, cloud computing services and the availability of support services including payment settlement and logistics services.

Based on the foregoing, we believe that our ability to compete effectively depends upon many factors, including the size, composition and engagement of our fan base, our ability to adjust to rapid advancements in technology and consumer tastes, the strength and reputation of our brands and our selling and marketing abilities, including targeted advertising and mobile marketing services.

Intellectual Property and Other Exclusive Rights

We rely on a combination of trademark, fair trade practice, intellectual property laws in China and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our intellectual property and our trademarks. As of March 31, 2020, we had over 1,046 trademarks, one patent and 30 domain names in China and overseas. As of the same date, we publicly filed 106 trademark applications in China and overseas.

In addition, we rely on a number of exclusive rights, especially know-how, portrait rights, right of publicity on social media platforms, social media accounts and online store accounts. We also enter into confidentiality agreement with our employees, and we rigorously control access to our proprietary technology and information. As such, we believe the protection of our trademarks, copyrights, domain names, trade names, patents trade secrets, know-how, portrait rights, right of publicity or personality and other proprietary rights is critical to our business. For risk factors relating to our intellectual properties, please see “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Industry — We may not be able to adequately protect our intellectual property rights and exclusive rights.”

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased property insurance covering our inventory. We also provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance and medical insurance, for our employees. We do not maintain other property insurance, business interruption insurance, general third-party liability insurance or key-man insurance. We believe the insurance coverage we maintain is in line with the industry. For risk factors relating to our insurance policies, please see “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage.”

Regulation

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China or the rights of our shareholders to receive dividends and other distributions from us.

Regulations Relating to Foreign Investment

Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalogue of Industries for Foreign Investment, which was promulgated and is amended from time to time by the Ministry of Commerce, or the MOFCOM, and the National Development and Reform Commission, or the NDRC. In June 2017, the MOFCOM and the NDRC promulgated a revision of the Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, effective in July 2017. Industries listed in the Catalogue are divided into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalogue are generally deemed as constituting a fourth “permitted” category. Establishment of wholly foreign-owned enterprises is generally allowed in encouraged and permitted industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, foreign investment in restricted category projects is subject to government approvals. Foreign investors are not allowed to invest in industries in the prohibited category. Industries not listed in the Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations. On June 30, 2019, the MOFCOM and the NDRC promulgated the Catalogue of Industries Encouraging Foreign Investment (2019), or the Encouraging Catalogue, effective on July 30, 2019, from which time encouraged categories under the Catalogue shall be void and replaced by the Encouraging Catalogue.

In June 2018, the MOFCOM and the NDRC promulgated the Special Management Measures (Negative List (2018)) for the Access of Foreign Investment, or the Negative List (2018), effective in July 2018. Foreign investment in talent agency services falls within the Negative List (2018), which required the talent agency services to be controlled by PRC shareholders. On June 30, 2019, the MOFCOM and the NDRC promulgated the Special Management Measures (Negative List (2019)) for the Access of Foreign Investment, or the Negative List (2019), which became effective on July 30, 2019. The Negative List (2019) expands the scope of permitted industries by foreign investment by reducing the number of industries that fall within the Negative List (2019) where restrictions on the shareholding percentage or requirements on the composition of board or senior management still exists. Foreign investment in talent agency services is deleted from Negative List (2019). Therefore, talent agency service became a “permitted” industry under the Catalogue since July 30, 2019.

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures for Information Reporting on Foreign Investment, which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

To comply with PRC laws and regulations, we rely on contractual arrangements with our VIE to operate our relevant business in China. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Corporate Structure — The PRC government may find that the contractual arrangements that establish our corporate structure for operating our business do not comply with applicable PRC laws and regulations.”

Foreign Investment Law

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law, which has become effective on January 1, 2020 and replace the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Foreign Owned Enterprise Law to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment. Notwithstanding the above, the Foreign Investment Law stipulates that the concept of a foreign investment includes foreign investors investing in China through “any other methods” under laws, administrative regulations, or provisions prescribed by the State Council. Therefore, there are possibilities 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 the contractual arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned contractual arrangements will be handled. For the potential impact of the Foreign Investment Law on our Company, please see “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Corporate Structure — We face uncertainties with respect to the implementation of the Foreign Investment Law.”

On December 26, 2019, the State Council promulgated the Implementation Rules to the Foreign Investment Law, which became effective on January 1, 2020. The implementation rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

Regulations Relating to Online Data Processing and Transaction Processing Business (Operational E-commerce)

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

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

On June 19, 2015, the MIIT issued the Circular on Lifting the Restriction to Foreign Shareholding Percentage in Online Data Processing and Transaction Processing Business (Operational E-commerce), or the New E-commerce Circular, pursuant to which, foreign investors are allowed to hold up to 100% equity interest of an entity operating online data processing and transaction processing business (operational e-commerce) in China. While the New E-commerce Circular removed the shareholding percentage restriction for foreign investors in the online data processing and transaction processing business, foreign investors still need to satisfy certain stringent requirements under the Regulations for Administration of Foreign-invested Telecommunications Enterprises. For example, major foreign investors seeking to obtain the license for their online data processing and transaction processing businesses must have good track records and operating experiences in the value-added telecommunications service industry.

Currently, there remain significant uncertainties with respect to the interpretation and implementation of the New E-commerce Circular as well as the application for the license regarding online data processing and transaction processing business by a wholly foreign funded enterprise in practice. For example, the term “operational e-commerce” is undefined in either the New E-commerce Circular or other relevant laws and regulations. Considering the uncertainty of the implementation of the New E-Commerce Circular and to maintain our flexibility, we rely on contractual arrangements with our VIE to operate our businesses including any operational e-commerce business that we may engage in the future.

Regulations Relating to E-commerce

China’s e-commerce industry is at an early stage of development. In May 2010, the State Administration for Market Regulation, or the SAMR, formerly known as State Administration for Industry and Commerce, adopted the Interim Measures for the Administration of Online Commodities Trading and Relevant Services. Under these measures, enterprises or other operators that are engaging in online commodities trading or other services and are registered with the SAMR or its local branches must make the information stated in their business licenses available to the public or provide links to their business licenses on their websites. Online distributors must adopt measures to ensure the safety of online transactions, protect online shoppers’ rights and prevent the sale of counterfeit goods. Information on products and transactions released by online distributors must be authentic, accurate, complete and sufficient. The above interim measures were replaced by the Measures for the Administration of Online Commodities Trading, which was issued by the SAMR on January 26, 2014 and became effective on March 15, 2014. These newly issued measures further impose more stringent requirements and obligations on the online trading or service operators. We are subject to such rules as a result of our online sales business.

In January 2017, the SAMR adopted the Interim Measures for Seven-day Unconditional Return of Online Purchased Goods. Pursuant to such interim measures, customers are entitled to return goods without reason, except for customized goods, fresh and perishable goods, delivered newspapers or periodicals, and audio-visual products, computer software and other digital products which are downloaded online or of which the packages have been opened by customers.

On August 31, 2018, the Standing Committee of the National People’s Congress promulgated the E-commerce Law of the PRC, or the new E-commerce Law, which came into effect on January 1, 2019. The new E-commerce Law regulates e-commerce platform operators, or platform operators, as well as e-commerce operators who sell products or provide services on e-commerce platforms. Specifically, the new E-commerce Law provides that e-commerce operators shall (i) register themselves as market subjects according to the law, except for individuals selling self-produced agricultural and sideline products or family handicrafts, applying their own skills in labor activities that are exempted from registration, or engaged in odd small-amount transaction activities that do not require any license under the law; (ii) fulfill their tax obligations and enjoy tax incentives in accordance with the law; (iii) always have information about its own business license, the administrative license issued for its business, and its status as a party that is not required to register itself as a market subject, or the link to a webpage with such information published in a prominent position on its homepage; (iv) bear the likely risks and responsibilities when commodities are in transit, except for when consumers select separate express logistics service providers; and (v) provide clear notice to consumers for tie-in sales and shall not set tie-in commodities or services as the default option. Further, e-commerce operators that possess dominant market positions shall not abuse their market dominance to eliminate or restrict competition.

In addition, the new E-commerce Law provides that platform operators shall (i) verify and register the identity, address, contact and administrative license of e-commerce operators applying to sell commodities or provide services on its platform, establish registration archives and have them verified and updated regularly; (ii) record and save information released on its platform about commodities and services and deals concluded for a period of three years (unless otherwise stipulated), and ensure the completeness, confidentiality and availability of such information; (iii) use noticeable labels to clearly identify any business that it conducts on its own platform. A platform operator shall not impose unreasonable restrictions over or add unjustified conditions to transactions concluded on its platform by e-commerce operators, nor shall a platform operator charge e-commerce operators on its platform any unreasonable fees.

If a platform operator knows, or should have known, that an e-commerce operator has conducted acts infringing on the legitimate rights and interests of consumers, but the platform operator fails to take any necessary measure, the platform operator shall be held jointly and severally liable with the e-commerce operator. Where a platform operator fails to examine the qualifications of the e-commerce operators on its platform or fails to protect the safety of its consumers in respect of goods or services that may affect the consumer's health, the platform operator shall bear corresponding liability to the consumers. Where a platform operator fails to take necessary measures against violations of intellectual property rights by e-commerce operators on its platform, the administrative department for intellectual property may order the platform operator to make corrections within the required time limit; where it fails to make corrections within the required time limit, the platform operator may face administrative fines of up to RMB2 million.

Regulations Relating to Foreign Trade

Pursuant to the Foreign Trade Law of the PRC (revised in 2016), which was promulgated by the Standing Committee of the National People's Congress on May 12, 1994, amended on April 6, 2004 and further amended on November 7, 2016, a foreign trade dealer engaged in import or export of goods or technologies shall register with the authority responsible for foreign trade under the State Council of the PRC or its authorized bodies. Where a foreign trade dealer fails to register as required, the Customs authority shall not process the declaration and clearance procedures for the imported or exported goods.

Regulations Relating to Tort Liability, Product Quality and Consumer Protection

The Tort Liability Law of the PRC was enacted by the Standing Committee of the National People's Congress on December 26, 2009. Under this law, in the event of damage arising from a defective product, the victim may seek compensation from either the manufacturer or seller of such a product. If the defect is caused by the seller, the manufacturer shall be entitled to seek full reimbursement from the seller upon compensation of the victim.

The PRC Product Quality Law (revised in 2000, 2009 and 2018) applies to all production and sales activities in China. Pursuant to this law, products offered for sale must satisfy the relevant quality and safety standards. Enterprises may not produce or sell counterfeit products in any manner, including forging brand labels or giving false information regarding a product's manufacturer. Violations of state or industrial standards for health and safety and any other related requirements may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or revocation of business license and confiscation of products that were illegally produced and sold as well as the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes physical injury to a person or damage to another person's property, the victim may claim compensation from the manufacturer or from the seller of the product. If the seller pays compensation for damages caused by the manufacturer, the seller may seek full reimbursement from the manufacturer. Similarly, if the manufacturer pays compensation for damages caused by the seller, the manufacturer may seek full reimbursement from the seller.

The PRC Consumer Protection Law, as amended on October 25, 2013 and effective on March 15, 2014, or the amended PRC Consumer Protection Law, requires business operators to guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. The amended PRC Consumer Protection Law imposes even more stringent requirements and obligations on business operators selling goods or services through the internet. For example, consumers are entitled to return the goods (except for certain specific goods) within seven days upon receipt without any reasons when they purchase the goods from business operators via the internet. Failure to comply with the amended Consumer Protection Law may subject business operators to civil liabilities and, where crimes are committed during the infringement of the lawful rights and interests of consumers, criminal liabilities.

As to legal liabilities of the platform operator, the amended PRC Consumer Protection Law set forth that, where a consumer's interest are prejudiced when purchasing products or services via an e-commerce platform, and the platform operator fails to provide the name, address and valid contact information of the seller, the manufacturer or the service provider, the consumer may demand compensation from the platform operator. Once the online trading platform operator has paid compensation, it shall have a right of recourse against the seller, the manufacturer or the service provider. If the platform operator knew, or should have known, that a seller, manufacturer or service provider is using the online platform to infringe upon the lawful rights and interests of consumers, and the platform operator fails to take necessary measures, it shall bear joint and several liabilities with the seller, the manufacturer or service provider.

We are subject to the above laws and regulations as an online retailer of commodities and believe that we are currently in compliance with these regulations in all material aspects.

Regulations Relating to Pricing

In China, only the prices of a very small number of products and services are guided or fixed by the government. According to the PRC Pricing Law, business operators must display prices clearly and in accordance with the requirements set out by the relevant authority. Further, business operators must indicate the name, origin of production, specifications and other relevant information. Business operators shall not charge any price different from the displayed price or fees that are not explicitly indicated. Business operators must not engage in any specified unlawful pricing activities, such as colluding with others to manipulate the market price, using false or misleading prices to lure consumers into concluding a transaction, or conducting price discrimination against other business operators. Failure to comply with the PRC Pricing Law may subject business operators to administrative sanctions such as the issuance of a warning, an order to make a rectification, confiscation of illegal gains, imposition of fines, suspension of business operations or revocation of business licenses under severe circumstances, as well as potential civil and criminal liabilities.

We are subject to the PRC Pricing Law as an online retailer and believe that our pricing activities are currently in compliance with the law in all material aspects.

Regulations Relating to Intellectual Property

The Copyright Law of the PRC, promulgated in 1990 and revised in 2001 and 2010, and the Regulations on Computer Software Protection, promulgated by the State Council of the PRC on December 20, 2001 and revised on January 8, 2011 and January 30, 2013, provide protection to the rights and interests of computer software copyright holders. Pursuant to the Regulations on Computer Software Protection, software developed by PRC citizens, legal entities or other organizations is automatically protected immediately after its development, regardless of whether the software was published. A software copyright owner may register with the designated registration authorities and obtain a registration certificate, which serves as preliminary proof of ownership of the copyright and other registered matters. The operational procedures for the registration of software copyright and the registration of software copyright license and transfer agreements are set forth in the Measures on Computer Software Copyright Registration promulgated by the National Copyright Administration on February 20, 2002.

Trademarks are protected by the Trademark Law of the PRC (Revised in 2019), which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 (effective on November 1, 2019), as well as the Implementation Regulation of the PRC Trademark Law adopted by the State Council of the PRC on August 3, 2002 (Revised in 2014). Pursuant to the PRC Trademark Law, registered trademarks refer to trademarks registered with the Trademark Office under the SAMR, including trademarks for goods and services, collective trademarks and certification trademarks. The PRC Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. A registration application may be rejected if the trademark concerned is identical or similar to another trademark which has already been registered or been given a preliminary examination and approval for use on similar or same kind of goods or services. No applicant may prejudice the existing rights of others, nor may any person register a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. A registered trademark is valid for a period of 10 years and can be renewed within 12 months prior to the expiry date. Each renewal of registration will be valid for 10 years.

The PRC Trademark Law further provides that a trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office. The licensor shall supervise the quality of the goods on which the trademark is used, and the licensee shall guarantee the quality of such goods.

The MIIT promulgated the Administrative Measures on Internet Domain Name, or the Domain Name Measures, on August 24, 2017. According to the Domain Name Measures, domain name owners are required to register their domain names with the domain name registries, which are supervised and administered by the MIIT. The domain name registration follow a “first come, first file” principle. Applicants for the registration of domain names are required to provide true, accurate and complete information in their application, including the identity of the domain name holder, as well as enter into registration agreements with the domain name registry. The applicant becomes the holder of the applied domain name upon the completion of the registration procedure.

According to the Patent Law of the PRC (Revised in 2008), promulgated by the Standing Committee of the National People’s Congress, and its Implementation Rules (Revised in 2010), promulgated by the State Council of the PRC, the State Intellectual Property Office of the PRC is responsible for administering patents in the PRC. The patent administration departments of the provincial, autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, namely “invention”, “utility model” and “design”. Invention patents are valid for 20 years, while design patents and utility model patents are valid for 10 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. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. The use of a patent without the consent of or a proper license from the patent owner constitutes an infringement of the owner’s patent rights.

Regulations Relating to Foreign Exchange

Under the PRC Regulations on Foreign Exchange Control, promulgated on January 29, 1996 and last amended on August 1, 2008, and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi may be converted into other currencies for the purpose of current account items, such as trade related receipts and payments and payment of interests and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investments, requires the prior approval from the SAFE or its local office. Payments for transactions that take place within the PRC must be made in Renminbi. Subject to the conditions and requirements set by the SAFE, PRC companies may repatriate or deposit overseas the foreign currency payments received abroad. Foreign-invested enterprises may retain foreign exchange proceeds from the current account items in accounts with designated foreign exchange banks subject to a cap set by the SAFE or its local office or sell the foreign exchange proceeds to a financial institution engaging in settlement and sale of foreign exchange pursuant to the relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except otherwise provided under the relevant rules and regulations of the PRC.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment, or the SAFE Notice No. 59, promulgated by the SAFE on November 19, 2012 and amended on May 4, 2015, October 10, 2018 and December 30, 2019, approval is not required for opening of foreign exchange accounts for direct investment or for conducting domestic transfer of the foreign exchange for direct investment. The SAFE Notice No. 59 also simplified the capital verification and confirmation formalities for FIEs, the foreign capital and foreign exchange registration formalities required for foreign investors to acquire equities of a Chinese company. The SAFE Notice No. 59 further improves the exchange settlement administration of the foreign exchange capital of foreign-invested entities.

The Notice of the SAFE on Reforming the Management Approach Regarding the Settlement of Foreign Capital of Foreign-invested Enterprise, or the SAFE Notice No. 19, was promulgated on March 30, 2015 and amended on June 9, 2016 and December 30, 2019. According to the SAFE Notice No. 19, a FIE may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, FIEs are allowed to settle 100% of their foreign exchange capital on a discretionary basis; a FIE shall truthfully use its capital for its own operational purposes and within its scope of business; where an ordinary FIE makes domestic equity investments with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic reinvestment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank).

According to Circular 16, all enterprises registered in PRC may convert their foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) to Renminbi on a self-discretionary basis. The Circular 16 reiterates the principle that a company may not use Renminbi converted from foreign currency-denominated capital directly or indirectly for purposes beyond its business scope, for investments in securities or for other investments with the exception of principal-guaranteed bank financial products within the PRC unless otherwise specifically provided. Further, the converted Renminbi shall not be used to make loans for related companies unless it is within the business scope or to build or purchase any real estate that is not for the company's own use unless the company's business is in real estate.

SAFE Circular 37 promulgated by the SAFE in July 2014, requires PRC residents or entities to register with the SAFE or its local branch 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 its basic information (including change of such PRC citizens or residents, name and operation term, and etc.), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions, etc.

SAFE further enacted the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment, or the SAFE Notice 13, on February 13, 2015, which allows PRC residents or entities to register with qualified banks 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 will continue to fall under the jurisdiction of the relevant local branch of the 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. Further, the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary.

All of our shareholders who, to our knowledge, are subject to the above SAFE regulations have completed the necessary registrations with the qualified banks as required by SAFE Circular 37.

On January 26, 2017, SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review, or the SAFE Notice 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including the requirements that: (i) under the principle of genuine transaction, banks shall review 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 losses incurred in previous years before remitting the profits. Moreover, pursuant to SAFE Notice 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 Dividend Distribution

The principal laws and regulations regulating the distribution of dividends by FIEs in the PRC include the Company Law of the PRC, as amended in 1999, 2004, 2005, 2013 and 2018. Under the current regulatory regime in the PRC, FIEs in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. Except otherwise provided by the laws regarding foreign investment, a PRC company is required to set aside at least 10% of its after-tax profit as general reserves until the cumulative amount of such reserves reaches 50% of the company's registered capital. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations Relating to Employment and Social Welfare

The Labor Contract Law, which was implemented on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force employees to work beyond the time limit, and employers shall pay employees for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to employees in a timely manner. In addition, according to the Labor Contract Law: (i) an employer must pay an employee double income if the employer fails to enter into an employment contract with the employee after the lapse of more than one month but less than one year from the date of employment, and, if the failure to enter into an employment contract persists for more than one year, the parties will be deemed to have entered into a labor contract with an "unfixed term"; (ii) employees who fulfill certain criteria, including having worked for the same employer for ten years or more, may demand that the employer execute a labor contract with them with an unfixed term; (iii) employees must adhere to regulations in the labor contracts concerning commercial confidentiality and non-competition; (iv) if an employee breaches the provisions concerning term of services in the labor contract, an employer may seek an amount of compensation not exceeding the cost of training the employee; (v) employees may terminate their employment contracts with their employers if their employers fail to make social insurance contributions in accordance with the law; (vi) employers who demand money or property from employees as guarantee may be subject to a fine of more than RMB500 but less than RMB2,000 per employee; and (vii) employers who intentionally deprive employees of any part of their salary must, in addition to their full salary, pay such employees compensation ranging from 50% to 100% of the amount of salary so deprived if they fail to pay the salary deprived within the period specified by the labor administration authorities.

According to the Labor Law of the PRC, promulgated on July 5, 1994 and effective on January 1, 1995 and amended on August 27, 2009 and December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety and sanitation as well as other relevant articles of labor protection, and educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with standards prescribed by the State.

As required under the Regulation of Insurance for Labor Injury implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council of the PRC issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council of the PRC promulgated on December 14, 1998, the Regulations on Unemployment Insurance promulgated on January 22, 1999 and the Social Insurance Law of the PRC implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities, and any employer that fails to contribute may be fined and ordered to make the payment within a prescribed time limit.

According to the Regulations on the Management of Housing Provident Funds, which was promulgated by the State Council of the PRC in 1999, amended in 2002 and 2019 respectively, newly established enterprises must register at the competent housing provident fund managing center. These enterprises shall then use the verification documents provided by such managing center to open housing provident fund accounts for their employees at the relevant bank. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

Regulations Relating to Tax

On March 16, 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax, which was amended on February 24, 2017 and December 29, 2018, and on December 6, 2007, the State Council of the PRC enacted The Regulations for the Implementation of the Law on Enterprise Income Tax, which was amended on April 23, 2019, or collectively, the EIT Law. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose "de facto management body" is located in the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose de facto management body is located outside the PRC, but have either established institutions or premises in the PRC or have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, enterprises are subject to a uniform corporate income tax rate of 25%. However, if nonresident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishments or premises in the PRC but their relevant income derived in the PRC is not related to those establishments, then their enterprise income tax would be set at a rate of 10% for their income sourced from inside the PRC.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, promulgated by the SAT on April 22, 2009 and last amended on December 29, 2017, sets out the standards and procedures for determining whether an overseas China-funded enterprise shall be identified as a resident enterprise of the actual organizational management within the territory of the PRC, and shall be subject to relevant taxation management and collection of enterprise income tax on its income derived from within and out of the territory of the PRC.

As noted, the EIT Law provides that an income tax rate of 10% will be applicable to dividends or other gains received by investors who are "non-resident enterprises" and who meet the aforementioned requirements for the lower enterprise income tax rate. Such income tax on dividends may be reduced further by the tax treaties between China and the jurisdictions in which non-PRC shareholders of our PRC subsidiary reside. Specifically, pursuant to an Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong enterprise (being the beneficial owner of dividends from a PRC enterprise) is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends that the Hong Kong enterprise receives from the PRC enterprise may be reduced to 5% subject to approval from the relevant tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, or Notice No. 81, issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a corporate structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Moreover, based on the Announcement No. 9, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and are thus not entitled to the above tax benefits.

The Provisional Regulations of the PRC on Value-added Tax were promulgated by the State Council of the PRC on December 13, 1993 and subsequently amended on November 5, 2008, February 6, 2016 and November 19, 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) was promulgated by the Ministry of Finance and the SAT on December 15, 2008 and subsequently amended on October 28, 2011, or collectively, the VAT Law. According to the VAT Law, all enterprises and individuals engaged in the sale of goods, provision of processing, repair and replacement services, and importation of goods within the territory of the PRC must pay value-added tax, or VAT. Other than exports (subject to 0% VAT rate) and certain products listed in the VAT Law (subject to 11% VAT rate), the sale and importation of goods were generally subject to a VAT rate of 17%. Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates, which became effective on May 1, 2018, the previous applicable VAT rate of 17% and 11% are adjusted to 16% and 10%, respectively.

On January 1, 2012, the State Council of the PRC officially launched a pilot VAT reform program, or the Pilot Program, which is applicable to businesses in selected industries. Businesses in the Pilot Program would pay VAT instead of the business tax. The Pilot Program initially applied only to the transportation industry and "modern service industries", or collectively, the Pilot Industries, in Shanghai. The research and development and technical services and information technology services included in the Pilot Industries are subject to the VAT tax rate of 6%. Subsequently, the Pilot Program has been expanded to ten additional regions, including, among others, the Beijing and Guangdong provinces, and has been expanded nationwide for certain designated pilot industries. According to the Notice Regarding the Inclusion of the Telecommunications Sector under the Pilot Program of Replacing Business Tax with Value-Added Tax, which was promulgated on April 29, 2014 and became effective on June 1, 2014, the entities and individuals providing telecommunications services within the territory of PRC shall pay VAT instead of business tax. The Trial Implementing Measures of the Conversion of Business Tax to Value-added Tax, or the Trial Implementing Measures, which was promulgated on March 23, 2016, amended on July 11, 2017 and became effective retroactively as of July 1, 2017 and last amended on March 20, 2019, superseded the Notice Regarding the Inclusion of the Telecommunications Sector under the Pilot Program of Replacing Business Tax with Value-Added Tax. The Trial Implementing Measures provides that VAT will be collected in lieu of business tax in all regions and industries.

Regulations on Stock Incentive Plans

Pursuant 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 the SAFE in February 2012, employees, directors, supervisors and other senior management 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 a few exceptions, are required to register with the SAFE through a domestic qualified agent and complete certain other procedures. The domestic qualified agent could be a PRC subsidiary of the overseas listed company. We and our directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted options will be subject to these regulations as our company has become an overseas-listed company upon the completion of our initial public offering.

In addition, the SAT has issued certain circulars concerning employee share options or restricted shares. Under these circulars, the employees working in the PRC who exercise share options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of such 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 who exercise their share options. If the employees fail to pay or the PRC subsidiaries fail to withhold their income taxes according to relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other relevant PRC government authorities.

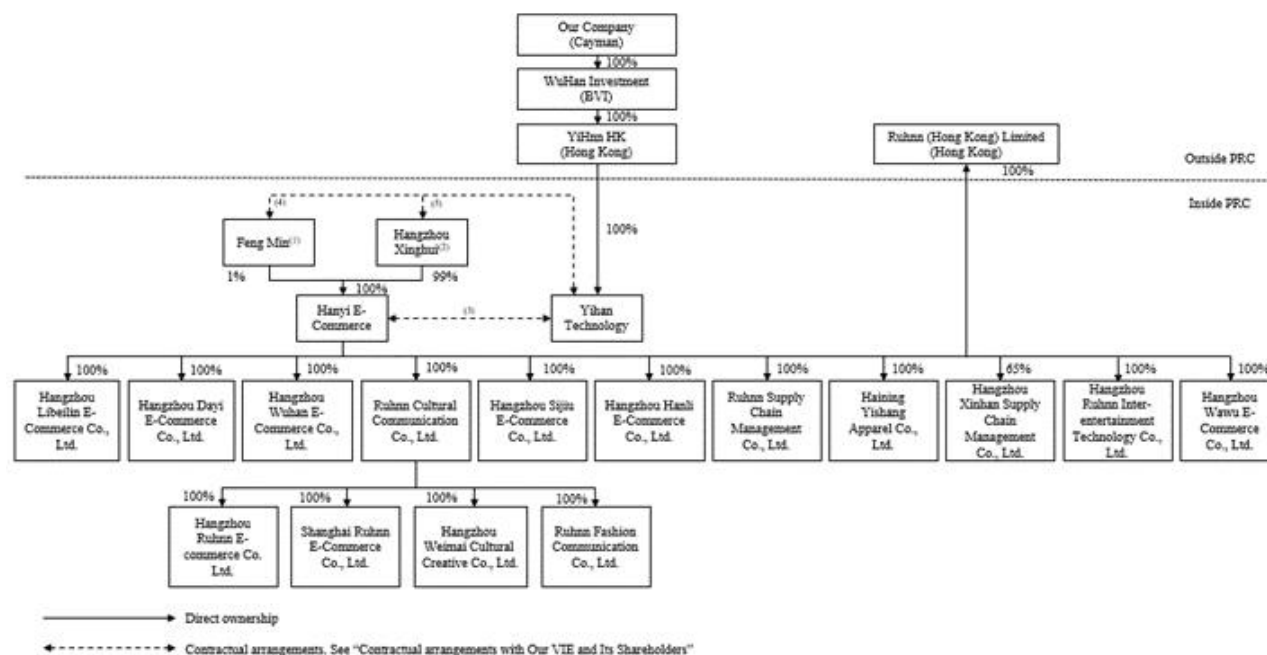
Regulations Relating to Mergers and Acquisitions

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or the CSRC, jointly promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules, among other things, requires that an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading securities of such offshore special purpose vehicle on an overseas stock exchange.

Our PRC legal counsel has advised us that based on its understanding of the current PRC laws and regulations, we will not be required to submit an application to the CSRC for the approval of the listing and trading of our ADSs on the Nasdaq Global Select Market. However, our PRC legal counsel has further advised us that there remains some uncertainties as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering, and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules.

C. Organizational Structure

The chart below summarizes our corporate and shareholding structure and identifies the significant subsidiaries and affiliates described above and the places of incorporation as of the date of this annual report:



- (1) On October 4, 2018, as part of the Equity Restructuring, Hangzhou Ruhnn, the former parent of Hanyi E-Commerce transferred 1% equity interest in Hanyi E-Commerce to Min Feng for the purpose of creating a new nominee shareholder to enter into the contractual arrangements.
- (2) Wholly owned by Min Feng. On October 4, 2018, as part of the Equity Restructuring, Hangzhou Ruhnn, the former parent of Hanyi E-Commerce transferred 99% equity interest in Hanyi E-Commerce to this entity for the purpose of creating a new nominee shareholder to enter into the contractual arrangements.
- (3) Exclusive Business Corporation Agreement, Exclusive Call Option Agreement, Power of Attorney and Equity Interest Pledge Agreement.
- (4) Exclusive Call Option Agreement, Power of Attorney, Equity Interest Pledge Agreement and Spousal Consent Letter.
- (5) Exclusive Call Option Agreement, Power of Attorney and Equity Interest Pledge Agreement.

Contractual Arrangements with Our VIE and its Shareholders

As a Cayman Island company, our holding company is classified as a foreign enterprise under PRC laws and regulations, and our WFOE is an FIE. FIEs are subject to a number of restrictions under PRC laws and regulations. In particular, we currently hold a commercial performance license for introducing our KOLs to participate in TV shows and other performances, which is classified as talent agency services. Moreover, we plan to expand our e-commerce-related businesses in the future, some of which may be classified as value-added telecommunication services. As these businesses may be subject to strict business licensing requirements, including limitations on foreign ownership and in order to have greater flexibility in carrying out our business and implementing our business strategies in compliance with PRC laws and regulations, we operate our businesses in China mainly through our VIE and its subsidiaries. Our VIE and most of its subsidiaries are domestic PRC companies. We and our WFOE have entered into a series of contractual arrangements with our VIE and its direct and indirect shareholders, through which we are able to consolidate the financial results of our VIE and its subsidiaries. These contractual arrangements allow us to:

- exercise effective control over our VIE through our power to direct the activities of our VIE that most significantly impact its economic performance;
- receive economic benefits of our VIE that potentially could be significant to our VIE; and
- have a call option to purchase all or part of the equity interests and/or assets in our VIE when and to the extent permitted by PRC law.

As a result of these contractual arrangements, we are the primary beneficiary of our VIE and its subsidiaries and have their financial results in our combined and consolidated financial statements in accordance with U.S. GAAP. However, these contractual arrangements may not be as effective in providing operational control as direct ownership and the use of the contractual arrangements exposes us to certain risks. For example, our VIE or its direct or indirect shareholders may breach the contractual arrangements with us. In such cases, we would have to rely on legal remedies under PRC law, which may not always be effective, particularly in light of uncertainties in the PRC legal system. See “Item 3. Key Information — D. Risk Factors—Risks Relating to Our Corporate Structure.”

If the VIE or its direct or indirect shareholders fail to perform their obligations under the contractual arrangements, we could be limited in our ability to enforce the contractual arrangements that give us effective control over the VIE and its subsidiaries. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Corporate Structure — We rely on contractual arrangements with Hanyi E-Commerce and its shareholders for our operations in China, which may not be as effective in providing control as direct ownership.” If we are unable to maintain effective control over our VIE and its subsidiaries, we will not be able to continue consolidating their financial results into our financial results. Our VIE and its subsidiaries contributed substantially all of our total revenue. Further, we rely on dividends and other distributions paid to us by our offshore and PRC subsidiaries, which in turn depends on the service fees paid from our VIE and its subsidiaries. In practice, we evaluate on a case-by-case basis the performance and future plans of our VIE and its subsidiaries before determining the amount of fees we will collect from them. We do not have unfettered access to the revenue from our WFOE, our VIE or its subsidiaries due to the significant legal restrictions on the payment of dividends by PRC companies, foreign exchange control restrictions, and restrictions on foreign investment, among others. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Corporate Structure — We rely on dividends, fees and other distributions paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could hinder our ability to conduct our business.”

The following is a summary of the currently effective contractual arrangements.

Agreements that Provide Us with Effective Control over Our VIE and Its Shareholders

Equity Interest Pledge Agreement. Pursuant to the Equity Interest Pledge Agreement, Hangzhou Xinghui Corporate Management Consulting Co., Ltd., or Hangzhou Xinghui, and Min Feng have pledged all of their equity interest in Hanyi E-Commerce to guarantee the performance of obligations by Hanyi E-Commerce, Hangzhou Xinghui and Min Feng under the relevant contractual arrangements, which include the Power of Attorney Agreement, Exclusive Business Cooperation Agreement and Exclusive Call Option Agreement. If Hangzhou Xinghui, Hanyi E-Commerce and Min Feng breach their contractual obligations under these agreements, our WFOE, as pledgee, will have the right to auction or sell all or part of the pledged equity interests of Hangzhou Xinghui and Min Feng, and receive proceeds from such auction or sale. Hangzhou Xinghui and Min Feng agree, among other things, that, during the term of the Equity Interest Pledge Agreement, Hangzhou Xinghui will not dispose of the pledged equity interests or create or allow creation of any encumbrance on the pledged equity interests or any portion thereof, without the prior written consent of our WFOE, except for the performance of the Exclusive Call Option Agreement. The Equity Interest Pledge Agreement will remain effective until the termination of the Exclusive Business Cooperation Agreement and all of the obligations thereunder have been fulfilled.

Power of Attorney Agreement. Pursuant to the Power of Attorney Agreement, Hangzhou Xinghui and Min Feng have irrevocably authorized our WFOE and certain person(s) designated by our WFOE to act on Hangzhou Xinghui and Min Feng’s behalf as exclusive agent and attorney, to the extent permitted by law, with respect to all shareholder rights, including but not limited to the right to call, attend and vote on shareholder’s meetings and serve as directors and executive officers. The Power of Attorney Agreement is irrevocable and continuously effective from the execution date unless our WFOE provides a written termination notice to Hangzhou Xinghui and Min Feng or other conditions of termination under the Power of Attorney Agreement have been met.

Agreement that Allows Us to Receive Economic Benefits from Our VIE and Its Shareholders

Exclusive Business Cooperation Agreement. Under the Exclusive Business Cooperation Agreement, our WFOE has the exclusive right to provide Hanyi E-Commerce with comprehensive technical support, consulting services and other services. In exchange, our WFOE is entitled to receive an annual service fee from Hanyi E-Commerce at an amount that is equal to 100% of its net profit. The WFOE has the right to adjust the service fee payment frequency at its sole discretion. In addition, our WFOE owns the intellectual property rights arising out of the performance of the Exclusive Business Cooperation Agreement. Unless otherwise terminated in accordance with the provisions of the Exclusive Business Cooperation Agreement or in accordance with applicable PRC laws or terminated by our WFOE in writing 30 days in advance, the Exclusive Business Cooperation Agreement remains continuously effective.

Agreement that Provides Us with the Option to Purchase the Equity Interest in Our VIE

Exclusive Call Option Agreement. Pursuant to the Exclusive Call Option Agreement, Hangzhou Xinghui and Min Feng have irrevocably granted our WFOE an exclusive option to purchase by itself or by its designate person(s), at our WFOE's sole discretion at any time, to the extent permitted under PRC law, all or part of Hangzhou Xinhui's and Min Feng's equity interests in Hanyi E-Commerce. The purchase price of the equity interests shall be a nominal price, unless otherwise required by the relevant government authority or PRC law, in which case, the price shall be the minimum price permitted by the government authority or PRC law. Hangzhou Xinghui, Min Feng and Hanyi E-Commerce have agreed that, without our WFOE's prior written consent, they will not, among other things, amend Hanyi E-Commerce's articles of association, change Hanyi E-Commerce's registered capital or scope of business, allow Hanyi E-Commerce to be separated or dissolved, sell or otherwise dispose of Hanyi E-Commerce's assets and beneficial interest that is worth RMB1,000,000 or more, or provide any loans or guarantees. In addition, Hangzhou Xinghui and Min Feng undertake, among other things, that it will not sell or otherwise dispose of its equity interests in Hanyi E-Commerce or create any pledge or encumbrance on their equity interests in Hanyi E-Commerce without our WFOE's prior written consent. The Exclusive Call Option Agreement will remain effective until all equity interests in and all assets of Hanyi E-Commerce have been transferred or assigned to our WFOE or its designated person(s).

Spousal Consent Letter. Pursuant to the Spousal Consent Letter executed by the spouse of Min Feng, our chairman of board of directors, the signing spouse confirmed and agreed that Mr. Feng's direct or indirect equity interests in Hanyi E-Commerce are his own property and that the spouse does not enjoy and right or interest in connection with such equity interests of Hanyi E-Commerce held by Mr. Feng's. The spouse also irrevocably agreed that she would not claim in the future any right or interest in connection with such equity interests in Hanyi E-Commerce held directly or indirectly by Mr. Feng's.

D. Property, Plants and Equipment

Our headquarters are located in Hangzhou, Zhejiang Province, and our principal warehouses are located in Haining and Hangzhou, Zhejiang Province. As of March 31, 2020, we leased 9,245 square meters of office space in Hangzhou and leased an aggregate of 48,926 square meters of warehouses in Haining and Hangzhou, Zhejiang Province.

In connection with the Equity Restructuring, Hangzhou Ruhnn Holdings Co., Ltd., or Hangzhou Ruhnn, sold us office spaces with an aggregate gross floor area of 8,158 square meters which Hangzhou Ruhnn purchased from a third-party seller in 2017 for a total purchase price of approximately RMB125.4 million. Hangzhou Ruhnn paid the full purchase price to the third-party seller and we have subsequently paid the same price to Hangzhou Ruhnn as part of our Equity Restructuring. We have taken possession of these office spaces and currently use them as offices. We have obtained the building ownership certificates for these office spaces.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined and consolidated financial statements and the related notes included elsewhere in this annual report. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information — D. Risk Factors" or in other parts of this annual report.

A. Operating Results

Key Factors Affecting Our Results of Operations

Macroeconomic factors and regulatory environment and our ability to maintain our leading position in the industry

The growth of our business depends on the development and popularity of the internet KOL economy, which in turn depends on the growth of the online retail market, continued increase in consumer spending, and increasing popularity and influence of internet KOLs. Our results of operations are also affected by changes in regulatory environment. For example, the new E-Commerce Law of the PRC has come into effect on January 1, 2019 and imposed various new regulatory requirements on e-commerce business operators. While these regulatory requirements may increase industry-wide compliance costs, we believe we, as an industry leader with substantial operating experience, are better positioned to attract internet KOLs in China who are trying to monetize their success on social media platforms through e-commerce channels as we can help ensure their compliance with the new regulatory requirements. As a result, we believe the regulatory change would create significant opportunities for us to further expand our business and increase our market share.

Moreover, the success of our business depends on our ability to maintain our market position as a leading internet KOL facilitator in China. Our leading market position and first-mover advantage has enabled us to establish strong brand recognition among KOLs in China and various players in the new retail industry. We believe our brand “ruhnn” will continue to attract more KOLs and businesses to join our ecosystem in an efficient and sustainable manner. Our ability to maintain a market leading position and increase the reputation and attractiveness of our brand to KOLs, brands and other merchants will continue to be critical to our future business and financial performance.

Our ability to attract and retain popular KOLs, maintain their popularity and grow fan and customer base

We rely on KOLs to sell and promote products and services on our KOL sales and marketing platform. As such, our revenue and results of operations are directly affected by our ability to attract, and retain talents and grow a popular and diversified KOL pool. We aim to develop a balanced KOL talent pool to accommodate various fashion styles, personalities and fan bases, and cater to changing consumer demands. As we mainly sell and promote products and services to our KOLs’ fans, our business and financial performance are affected by our ability to help our KOLs grow their fan base, maintain their popularity, improve their fans’ engagement and convert more fans into paying customers and repeated buyers so that we can sell, or promote on behalf of brands and other merchants, more products and services to our KOLs’ fans. As such, various factors that may affect our KOLs’ popularity, such as changes in their styles and public images and various professional and personal choices they make, may also affect our business and results of operations.

Our ability to effectively monetize the KOL ecosystem through different business models

We monetize the KOL ecosystem through our full-service model and platform model, by selling products to fans and providing KOL sales and advertising services to brands, online retailers and other merchants. Our financial performance, results of operations and financial condition are affected by the contributions of our different business models and monetization channels to our overall business. Our full-service model captures the value of the entire value chain, while our platform model is asset-light and flexible. Revenue from our product sales under our full-service model accounted for 96%, 86% and 77% of our total net revenue for fiscal years 2018, 2019 and 2020, respectively, while our service revenue under the platform model accounted for 4%, 14% and 23% of our total net revenue for fiscal years 2018, 2019 and 2020, respectively. Gross margin of our full-service model was 31%, 28% and 32% for fiscal years 2018, 2019 and 2020, respectively, while gross margin of our platform model reached 48%, 55% and 57% for the same periods. As we continue to strengthen our business relationships with brands, online retailers and other merchants as well as explore additional monetization opportunities by leveraging our established “ruhnn” brand, and as we transformed some of our businesses under the full-service model into the platform model, we expect our service revenue under our platform model to increase in absolute amount and as a percentage of our total revenue in the near future, and our product sales revenue under the full-service model will decrease as a percentage of our total revenue and may also decrease in absolute amount in future periods. We also expect to continuously adjust our business models and monetization channels to respond to market conditions and expect our financial performance and condition to be affected by such adjustments.

Our ability to manage our costs and expenses

Our results of operations depend on our ability to manage our costs and expenses while continuing to grow our business. This includes our ability to, among others, (i) leverage our long-term relationships with suppliers as well as the scale of our business to negotiate preferential terms with suppliers and thereby reduce unit production costs, (ii) continually optimize economic arrangements with our KOLs to provide both strong incentives to our KOLs on one hand, and grow our revenue faster than the increase in fees payable to our KOLs on the other, (iii) improve our supply chain management capabilities, more accurately predict market trends and demand, and accelerate our inventory turnover, (iv) increase the scale of our business to achieve economies of scale, and (v) diversify our business models and monetization channels to realize potential synergies. We expect the changing revenue contributions of our different businesses will also affect our overall cost structure. For example, as we continue to expand our business under our platform model, we expect our cost of revenue as a percentage of our total revenue may decrease in the future.

Investments in data-driven technology and AI solutions

Our results of operations are affected by our investments in data-driven technology and AI solutions. We have utilized the latest technology to improve our business and maintain competitiveness and made significant investments in data-driven technology and AI solutions. As we operate a unique full-service model and provide end-to-end solutions, we have access to various kinds of data throughout the entire value chain in the KOL ecosystem. We collect and analyze a significant amount of data daily, which enable us to provide better products and services to our fans, consumers, brands and other merchants, and to understand and meet their changing needs. In addition to our own efforts, we have invested in companies that develop AI solutions relevant to our business and operations, such as AI Data. Our investments in technology have increased, and are expected to continue to increase, which will affect our ability to rapidly grow our business, respond to changing market demands and control our costs and expenses, and in turn will significantly affect our results of operations.

Uncertainty of the Covid-19 pandemic Outbreak

The Covid-19 pandemic has adversely impacted our business since the fourth quarter of fiscal year 2020. Among other things, the product manufacturing, logistics and fulfillment of us and certain third-party merchants and brands that cooperated with us were adversely affected due to various travel restrictions and quarantine measures imposed in China. We have implemented preventative measures to protect the health and safety of our employees and made appropriate adjustments to our business operations in response to the pandemic's impact. While we have seen gradual recovery of our overall business resulting from improving health statistics in China since March 2020, the pandemic continued to have an adverse effect on our business and results of operations for the past few months and we anticipate the negative impact of the pandemic may continue. As a result, our results of operations for fiscal year 2021 and any period thereof could be worse than our results of operations for fiscal year 2020 and corresponding periods thereof. The duration and magnitude of the impact from the pandemic on our business will depend on numerous evolving factors that cannot be accurately predicted or assessed. For additional details on the impact of the Covid-19 outbreak, see "Item 3. Key Information—D. Risk Factors— The Covid-19 pandemic has adversely affected, and may continue to adversely affect our results of operations."

Key Components of Results of Operations

Net Revenue

Our net revenue primarily include (i) product sales revenue from sales of various fashion and lifestyle products to consumers through our KOL online stores under our full-service model and (ii) service revenue from provision of various KOL sales and advertising services to third-party merchants under our platform model. The following table sets forth the breakdown of our total net revenue, both in absolute amount and as a percentage of our total net revenue, for the fiscal years presented:

	Year Ended March 31,					
	2018		2019		2020	
	RMB	%	RMB	%	RMB	US\$
	(Amounts in thousands, except percentages)					
Net revenue:						
Product sales	912,512	96	942,781	86	992,603	140,182
Services	35,068	4	150,657	14	303,247	42,827
Total net revenue	947,580	100	1,093,438	100	1,295,850	183,009

We rely on KOLs to promote and sell products to fans and consumers as well as provide services to third-party merchants on our KOL sales and marketing platform. The following table sets forth our key performance indicators under each business model as of the dates or during the fiscal years indicated:

	As of and for the fiscal year ended March 31		
	2018	2019	2020
Full-Service Model(1)			
Number of the Company's KOLs serving such business model(2)	33	14	3
Number of the Company's online stores	86	56	19
Number of orders placed through the Company's online stores (in million)	7.5	7.0	7.5
Product sales revenue under the full-service model (RMB in million)	912.5	942.8	992.6
Platform Model(3)			
Number of the Company's KOLs serving such business model(2)	57	122	137
Accumulated number of brands the Company cooperated with	166	632	1,035
Number of brands the Company cooperated with during the period	166	507	735
Services revenue under the platform model (RMB in million)	35.1	150.7	303.2

(1) Under the full-service model, we own and operates online stores on third-party e-commerce platforms, a majority of which are opened in the name of our KOLs, and generate revenue through online sales of our self-designed products to consumers, especially the fans of our KOLs' social media accounts that we manage.

(2) Certain KOLs under our full-service model overlap with those under the platform model. On the other hand, our KOLs that were undergoing training and had not started generating revenue under either of the business models as of the relevant date, were not included in these numbers.

(3) Under the platform model, our connects KOLs with third-party online stores and merchants to promote products sold in third-party online stores or provides advertising services on KOLs' social media spaces to third-party merchants.

Cost of Revenue

The table below sets forth a breakdown of our cost of revenue by business model for the periods indicated, both in absolute amount and as a percentage of our total net revenue:

	Year Ended March 31,					
	2018		2019		2020	
	RMB	%	RMB	%	RMB	US\$
	(Amounts in thousands, except percentages)					
Cost of revenue						
Cost of product sales	625,263	66	683,057	63	675,494	95,398
Cost of services	18,122	2	68,336	6	130,647	18,451
Total	643,385	68	751,393	69	806,141	113,849

Cost of product sales under our full-service model mainly consist of (i) purchase prices of products, including manufacturing fees and purchase price of fabrics and other materials, (ii) KOL service fees, and (iii) inventory write-downs.

Our cost of product sales primarily includes:

- Purchase prices of products amounted to RMB479.7 million, RMB540.2 million and RMB521.3 million (US\$73.6 million) for fiscal years 2018, 2019 and 2020, respectively;
- Inventory write-downs amounted to RMB42.1 million, RMB40.6 million and RMB66.6 million (US\$9.4 million) for fiscal years 2018, 2019 and 2020, respectively; and
- KOL service fees amounted to RMB103.6 million, RMB96.6 million and RMB81.8 million (US\$11.6 million) for fiscal years 2018, 2019 and 2020, respectively.

Cost of revenue under our full-service model does not include other direct costs related to product sales such as shipping costs, payroll and benefits of logistic staff or logistic centers, and rental expenses. Therefore, our cost of revenue may not be comparable to other companies which include such costs and expenses in their cost of revenue.

Cost of services under our platform model mainly consists of KOL service fees for providing sales and advertising services to third-party customers.

Our cost of revenue as a percentage of total net revenue increased from 68% for fiscal year 2018 to 69% for fiscal year 2019. Such increase was primarily due to discounted sales of apparel and cosmetic products of certain brands we ceased in fiscal year 2019, partially offset by the rapid expansion of our business under the platform model which generally requires lower cost of revenue as compared to product sales under the full-service model. We ceased sales of certain brands of apparel and cosmetic products in the full-service model in fiscal year 2019 and transformed such business into the platform model. In connection with such transition, we engaged in more discounted sales in order to dispose of our inventory, especially for discontinued products, in fiscal year 2019. Our cost of revenue as a percentage of total net revenue decreased from 69% for fiscal year 2019 to 62% for fiscal year 2020, primarily due to the increase in the percentage of services revenue, with higher gross margin, as compared to the total net revenue. We expect that our cost of revenue will increase in absolute amount as we continue to expand our overall operations. Our cost of revenue as a percentage of total net revenue may or may not decrease in future periods depending on various factors such as the relative revenue contributions from our full-service model and platform model, our pricing strategies, and changing market conditions.

Operating Expenses

Our operating expenses consist of fulfillment expenses, sales and marketing expenses, general and administrative expenses and other operating income/loss. The following table sets forth a breakdown of our operating expenses, both in absolute amount and as a percentage of our total net revenue, for the periods indicated:

	Year Ended March 31,					
	2018		2019		2020	
	RMB	%	RMB	%	RMB	US\$
	(Amounts in thousands, except percentages)					
Operating expenses:						
Fulfillment	100,071	11	126,850	12	134,852	19,045
Sales and marketing	146,207	15	205,660	19	305,157	43,096
General and administrative	130,977	14	92,004	8	167,786	23,696
Other operating income, net	(709)	-	(927)	-	(627)	(89)
Total operating expenses	376,546	40	423,587	39	607,168	85,748

Fulfillment expenses

Fulfillment expenses consist primarily of (i) warehousing related expenses such as costs attributable to receiving, inspecting and warehousing inventories; and picking, packaging and preparing customer orders for shipment, (ii) shipping costs and (iii) compensation to our operation team in charge of our online stores, all of which relate to our product sales revenue. Our fulfillment expenses as a percentage of total net revenue increased from 11% for fiscal year 2018 to 12% for fiscal year 2019, primarily due to increased customer service costs as we engaged a third-party customer service provider to improve relevant services, our warehouse expansion and software upgrade, and increased international shipping costs as we increased imports of cosmetic products from overseas suppliers. Our fulfillment expenses as a percentage of total net revenue decreased from 12% for fiscal year 2019 to 10% for fiscal year 2020, primarily due to the plan to expand our business under the platform model. Fulfillment expenses accounted for 14% and 13% (or 13% and 13%, exclusive of the aggregate of RMB1.6 million noncash share-based compensation expense in the fiscal year 2020) of product sales revenue during the fiscal years of 2020 and 2019, respectively.

Sales and marketing expenses

Sales and marketing expenses consist primarily of expenses incurred for our advertising, marketing and brand promotion activities on various e-commerce platforms and social media. Our sales and marketing expenses as a percentage of total net revenue increased from 15% for fiscal year 2018 to 19% for fiscal year 2019, primarily because we continued to expand our KOL base and steadily invest in our KOL identification, cultivation and professional support to further grow our KOL sales and advertising business under the platform model. Our sales and marketing expenses as a percentage of total net revenue increased from 19% for fiscal year 2019 to 24% for fiscal year 2020. Following the expansion of KOL pool from 128 signed KOLs as of March 31, 2019 to 168 as of March 31, 2020, related expenses for KOL incubation, cultivation and training in order to support increased activities for the Company's KOL sales and advertising business increased accordingly. In addition, the year-over-year increase in sales and marketing expenses was also attributable to the noncash amortization expense of intangible assets in relation to exclusive cooperation rights of RMB20.6 million and the noncash amortization of share-based compensation expense of RMB10.2 million. Sales and marketing expenses accounted for 19% and 21%, exclusive of the aggregate of RMB30.8 million noncash amortization expense of intangible assets and share-based compensation expense in the fiscal year 2020, of total net revenue during the fiscal years of 2019 and 2020, respectively.

General and administrative expenses

General and administrative expenses consist primarily of compensation for employee involved in general corporate functions as well as expenses related to our IT department, which undertakes many of our research and development activities. Our general and administrative expenses as a percentage of total net revenue decreased from 14% for fiscal year 2018 to 8% for fiscal year 2019, primarily because we did not make any provision for advance payments to a supplier in fiscal year 2019 as we did in fiscal year 2018. Instead, we were able to recoup a portion of the advances made to this supplier in the amount of RMB3.6 million while the remaining RMB22.7 million that was previously provided was written off for the current period. Our general and administrative expenses as a percentage of total net revenue increased from 8% for fiscal year 2019 to 13% for fiscal year 2020. The increase was primarily driven by the increased share-based compensation expense of RMB43.5 million, professional fees of RMB21.0 million and bad debt provision of RMB5.7 million. General and administrative expenses accounted for 8% and 9%, exclusive of the aggregate of RMB46.5 million share-based compensation expense and litigation costs in the fiscal year 2020, of total net revenue during the fiscal years of 2019 and 2020, respectively.

Our IT department related expenses consist primarily of compensation for employees involved in research and development activities, including data analytics, and warehouse and ERP system development and others. Our IT department related expenses as a percentage of total net revenue remained stable at approximately 1% for fiscal years of 2018, 2019 and 2020.

Taxation

Cayman Islands

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 levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of, the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Our subsidiaries in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. For fiscal years 2018, 2019 and 2020, we did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong for any of the periods presented.

PRC

Our PRC entities are subject to the statutory income tax rate of 25%, in accordance with the Enterprise Income Tax Law of the PRC, or the EIT Law, which was effective since January 1, 2008.

Dividends, interests, rent or royalties payable by our PRC entities to non-PRC resident enterprises, and proceeds from any such non-resident enterprise investor's disposition of assets (after deducting the net value of such assets), shall be subject to 10% EIT, namely withholding tax, unless the respective non-PRC resident enterprise's jurisdiction of incorporation has a tax treaty or arrangements with China that provides for a reduced withholding tax rate or an exemption from withholding tax. We do not plan to declare and pay dividends in the foreseeable future.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Item 3. Key Information — D. Risk Factors — Risks Relating to Doing Business in China — We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC shareholders."

Critical Accounting Policies and Estimates

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the combined and consolidated financial statements.

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 experiences 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.

The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our combined and consolidated financial statements and accompanying notes and other disclosures included in this annual report. 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

On April 1, 2019, we adopted ASC 606, "*Revenue from Contracts with Customers (Topic 606)*," using the modified retrospective method applied to all contracts that were not completed contracts at the date of initial application. There was no impact on the opening accumulated deficit as of April 1, 2019 due to the adoption of Topic 606. Revenue is recognized when control of goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Our revenue recognition policies effective on the adoption date of ASC 606 are as follows:

Product sales under full-service model. We generate product sales revenues primarily through selling products to followers of KOLs under the full-service model. Under this model, we identified one performance obligation which is to sell goods directly to followers of KOLs through online stores. Revenue under the full service model is recognized on a gross basis and presented as product sales on the combined and consolidated statements of operations, because (i) we are primarily responsible for fulfilling the promise to provide the specified good; (ii) we bear the physical and general inventory risk once the products are delivered to our warehouse; (iii) we have discretion in establishing price.

We recognize revenue primarily from online sales of products to followers of KOLs across various e-commerce platforms. A majority of our customers make online payments through third-party payment platforms when they place orders on our online stores. Product sales, net of return allowances, value added tax and related surcharges, are recognized when the funds are released from the third-party payment platforms to us which is the earlier of when (i) customers manually confirm their receipt of the products on the e-commerce platform or (ii) ten days after delivery.

Shipping and handling fees are included in net revenue. We typically do not charge shipping and handling fees for orders exceeding a certain sale amount. Shipping and handling revenue has not been material for the periods presented.

We offer our online customers an unconditional right of return for a period of seven days upon receipt of products. Return allowances, which reduce revenue, are estimated based on historical data and industry practice we have maintained and our analysis of returns by categories of products, and are subject to adjustments to the extent that actual returns differ or are expected to differ.

Services revenue through platform model. We serve as a platform in providing KOLs to brands, online retailers and other merchants for promotion of their products or services either on the KOLs' social media platforms, other third-party platforms or offline channels. Such services primarily include (1) advertising service through the KOLs' social media spaces; and (2) sales services provided by KOLs to promote merchants' products or services through merchants' various commerce channels across a period of time. Each category of services provided is considered as one performance obligation as they are distinct from each other.

We recognize revenue of KOL advertising service at a point of time when the article, picture, video or others are posted or advertising events completed. As for KOL sales service, we determine that our performance obligation is satisfied over time and concluded to apply the practical expedient to recognize the revenue from KOL sales service in the amount to which we have the right to invoice on a monthly basis with a credit term of one to three months.

Revenue generated from these service arrangements is recognized on a net basis and presented as services revenue on the combined and consolidated statements of operations. All the costs that we incur in the provision of the above services are classified as cost and operating expenses on the combined and consolidated statements of operations.

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represents amounts invoiced and revenue recognized prior to invoicing when we have satisfied our performance obligation and have the unconditional right to payment.

We sometimes receive advance payments from consumers before the service is rendered, which is recorded as deferred revenue included in the accrued expenses and other current liabilities on the combined and consolidated balance sheets.

Practical Expedients and Exemptions

In addition, we elected the practical expedient to not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which it has the right to invoice for services performed.

Allowances for doubtful accounts

We maintain an allowance for doubtful accounts that reflect its best estimate of probable losses inherent in the accounts receivable. We also make specific allowance if there is strong evidence indicating that the accounts receivable is likely to be unrecoverable. In determining collectability of the accounts receivable, we consider many factors, such as: creditworthiness of customers, aging of the receivables, payment history of customers, financial condition of the customers and market trends, and specific facts and circumstances. Accounts receivable balances are written off after all collection efforts have been exhausted.

Inventories

Inventory is stated at the lower of cost or net realizable value. Cost of inventory is determined using the weighted average cost method. Valuation of inventories is based on currently available information about expected recoverable value. The estimate is dependent upon factors such as whether the goods are returnable to vendors, inventory aging, historical and forecasted consumer demand, and promotional environment.

Intangible assets other than goodwill

Our intangible assets are initially recorded at the capitalized actual costs incurred, their acquisition cost, or fair value if acquired as part of a business combination, and amortized on a straight-line basis over their respective estimated useful lives, which are the periods over which the assets are expected to contribute directly or indirectly to our future cash flows. As of March 31, 2019 and 2020, our intangible assets primarily represent exclusive cooperation rights and social media accounts in social media platforms, and amortization is computed over the following estimated economic useful lives:

Exclusive cooperation rights	5 years
Accounts in social media platforms	4 years
Trademarks and software	3-10 years

Impairment of long-lived assets

Finite-lived intangible assets are amortized over their respective useful lives and, along with other long-lived assets, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable in accordance with ASC 360-10, "Impairment or Disposal of Long-Lived Assets." Factors considered important that could result in an impairment review include, but are not limited to, significant under-performance relative to historical or planned operating results, significant changes in the manner of use or expected life of the assets or significant changes in our business strategies. An impairment analysis is performed at the lowest level of identifiable cash flows for an asset or asset group based on valuation techniques such as discounted cash flow analysis. An impairment charge is recognized when the estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from the disposition of the asset, if any, are less than the carrying value of the asset net of other liabilities. The estimation of future cash flows requires significant management judgment and actual results may differ from estimated amounts. No impairment was recognized for fiscal years ended March 31, 2018, 2019 and 2020.

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. We follow the asset and liability method of accounting for income taxes.

Under this method, deferred income taxes are recognized for temporary differences between the tax bases of assets and liabilities and their reported amount in the combined and consolidated financial statements, net operating loss carry-forwards and credits by applying enacted tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided in accordance with the laws of the relevant taxing authorities. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in which temporary differences are expected to be realized or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the statement of comprehensive loss in the period of the enactment of the change.

The actual benefits that are ultimately realized may differ from estimates. As each audit is concluded, adjustments, if any, are recorded in the financial statements in the period in which the audit is concluded. Additionally, in future periods, changes in facts, circumstances and new information may require us to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. As of March 31, 2018, 2019 and 2020, we did not have any significant unrecognized uncertain tax positions.

Share-based compensation

In accordance with ASC 718, "Compensation-Stock Compensation," we determine whether an award granted to our employees should be classified and accounted for as a liability award or equity award. Our share-based compensation to our employees which are classified as equity awards are recognized in the combined and consolidated statements of comprehensive loss based on the grant date fair value. Our share-based compensation to our employees which are classified as liability awards are recognized in the combined and consolidated statements of comprehensive loss based on the fair value at each reporting date until settlement.

In determining the fair value of the share options granted, the closing market price of the underlying shares on the grant date is applied.

Forfeitures are recorded in the current period of the combined and consolidated statements of loss when they actually occur.

For modification of share-based awards, we record the incremental fair value of the modified award as share-based compensation on the date of modification for vested awards or over the remaining vesting period for unvested awards with any remaining unrecognized compensation expenses of the original awards. The incremental compensation is the excess of the fair value of the modified award on the date of modification over the fair value of the original award immediately before the modification.

We used the binomial model to estimate the fair value of options granted. The fair value per option is estimated at the date of grant using the following weighted-average assumptions: we estimate the risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in USD and adjusted for country risk premium of PRC at the option valuation date. The expected volatility at the date of grant date and each option valuation date is estimated based on the annualized standard deviation of the daily return embedded in historical share prices of comparable peer companies with a time horizon close to the expected expiry of the term. We have never declared or paid any cash dividends on our capital stock, and we do not anticipate any dividend payments in the foreseeable future.

We measure the cost of non-employee services received in exchange for share-based compensation based on the fair value of the equity instruments issued. We measure the fair value of the equity instruments in these transactions using the share price and other measurement assumptions on the measurement date, which is determined as the earlier of the date at which a commitment for performance by the counterparty to earn the equity instruments is reached, or the date at which the counterparty's performance is complete. Our share-based compensation to our non-employees are recognized in the combined and consolidated statements of comprehensive loss when our non-employees meet the performance target. The compensation expense is recognized on a straight-line basis over the vesting period.

Recently issued accounting pronouncements

See Item 18 of Part III, "Financial Statements—Note 2—Summary of principal accounting policies—(ab) Recently issued accounting pronouncements."

Non-GAAP Financial Measures

We use non-GAAP measures, such as adjusted net loss attributable to ruhnn and adjusted basic and diluted net loss per ADS, in evaluating our operating results and for financial and operational decision-making purposes. We believe that the non-GAAP financial measures help identify underlying trends in our business by excluding the impact of noncash charges of amortization expense of intangible assets in relation to exclusive cooperation rights and share-based compensation expense, and litigation costs incurred in relation to the class action. We believe that the non-GAAP financial measures provide useful information about our results of operations, 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 our financial and operational decision-making.

The non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. The non-GAAP financial measures have limitations as analytical tools, and when assessing our performance, investors should not consider them in isolation, or as a substitute for financial information prepared in accordance with U.S. GAAP.

We mitigate these limitations by reconciling the non-GAAP financial measures to the most comparable U.S. GAAP performance measures, all of which should be considered when evaluating our performance.

A reconciliation of these non-GAAP financial measures in fiscal years ended March 31, 2018, 2019 and 2020 to the nearest U.S. GAAP performance measures is provided below:

	Year Ended March 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(Amounts in thousands, except share data)			
Net loss attributable to ruhnn	(104,005)	(73,246)	(92,491)	(13,061)
Amortization expense of intangible assets in relation to exclusive cooperation rights	—	—	20,600	2,909
Share-based compensation expense	—	—	55,351	7,817
Litigation costs	—	—	2,986	422
Adjusted net loss attributable to ruhnn	(104,005)	(73,246)	(13,554)	(1,913)
Adjusted net loss per ADS (each ADS represents five ordinary shares):				
Basic and diluted	(1.63)	(1.14)	(0.16)	(0.02)
Weighted average shares used in calculating adjusted net loss per ordinary share:				
Basic and diluted	319,406,760	321,584,804	415,523,933	415,523,933

Results of Operations

The following tables set forth a summary of our combined and consolidated results of operations for the periods presented.

	Year Ended March 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(Amounts in thousands, except share data)			
Net revenue:				
Product sales	912,512	942,781	992,603	140,182
Services	35,068	150,657	303,247	42,827
Total net revenue	947,580	1,093,438	1,295,850	183,009
Cost of revenue:				
Cost of product sales	625,263	683,057	675,494	95,398
Cost of services	18,122	68,336	130,647	18,451
Total cost of revenue	643,385	751,393	806,141	113,849
Gross profit	304,195	342,045	489,709	69,160
Operating expenses⁽¹⁾:				
Fulfillment	100,071	126,850	134,852	19,045
Sales and marketing	146,207	205,660	305,157	43,096
General and administrative	130,977	92,004	167,786	23,696
Other operating income, net	(709)	(927)	(627)	(89)
Total operating expenses	376,546	423,587	607,168	85,748
Loss from operations	(72,351)	(81,542)	(117,459)	(16,588)
Other income (loss):				
Interest income	88	595	21,912	3,095
Interest expense	-	(107)	(58)	(8)
Other income, net	-	7,600	3,145	444
Foreign exchange (loss) gain	(241)	34	3,391	479
Loss before income taxes	(72,504)	(73,420)	(89,069)	(12,578)
Income tax expense	15,843	10,413	8,724	1,232
Share of loss in equity method investments	(1,607)	(1,090)	-	-
Net loss	(89,954)	(84,923)	(97,793)	(13,810)
Less: Net income (loss) attributable to non-controlling interest	14,051	(11,677)	(5,302)	(749)
Net loss attributable to ruhnn	(104,005)	(73,246)	(92,491)	(13,061)
Net loss per ordinary share:				
Basic and diluted	(0.33)	(0.23)	(0.22)	(0.03)
Net loss per ADS:				
Basic and diluted	(1.63)	(1.14)	(1.11)	(0.16)
Weighted average shares used in in calculating net loss per ordinary share:				
Basic and diluted	319,406,760	321,584,804	415,523,933	415,523,933
(1) Share-based compensation expense in each category:				
Fulfillment	-	-	1,641	232
Sales and marketing	-	-	10,221	1,443
General and administrative	-	-	43,489	6,142
Total	-	-	55,351	7,817

Fiscal Year 2020 Compared to Fiscal Year 2019

Net revenue. Total net revenue increased 19% from RMB1,093.4 million for fiscal year 2019 to RMB1,295.9 million (US\$183.0 million) for fiscal year 2020, despite the impact of the Covid-19 pandemic in China during the fourth quarter of fiscal year 2020. However, we cannot assure you that such increase will continue in fiscal year 2021 due to various reasons. Among others, a top KOL suffered from negative publicity in fiscal year 2021 which adversely affected her ability to advertise, promote and sell our products. We also transformed some of our business under the full-service model into the platform model. As a result, our total net revenue, especially our revenue from product sales through the full-service model, may decrease in fiscal year 2021.

- **Revenue from product sales through the full-service model.** Our product sales through the full-service model revenue increased 5% from RMB942.8 million for fiscal year 2019 to RMB992.6 million (US\$140.2 million) for fiscal year 2020. The increase was primarily attributable to the sales growth of the online stores opened in the name of our top-tier KOLs classified based on GMV facilitated, partially offset by the transition of the business model of some online stores opened in the name of our emerging and established KOLs from the full-service model to the platform model. As a result of this transition, the number of the Company's online stores decreased to 19 as of March 31, 2020 from 56 as of March 31, 2019, and the number of the Company's KOLs serving the full-service model decreased to 3 as of March 31, 2020 from 14 as of March 31, 2019. Nevertheless, product sales revenue from our online stores that were opened in the name of our top-tier KOLs and were in operation in both fiscal years increased 40% compared to the last fiscal year.
- **Revenue from services through the platform model.** Our services revenue through the platform model increased significantly by 101% from RMB150.7 million for fiscal year 2019 to RMB303.2 million (US\$42.8 million) for fiscal year 2020. This increase was mainly attributable to (i) the increase in the number of KOLs serving our platform model, which increased 12% to 137 as of March 31, 2020 from 122 as of March 31, 2019; (ii) the improved performance of such KOLs as evidenced by the increase in the aggregate number of the platform top-tier, established and emerging KOLs to 37 as of March 31, 2020 from 22 as of March 31, 2019; and (iii) an increase in the number of brands, with which we cooperated in our advertising business, to 735 for fiscal year 2020 from 507 for the last fiscal year.

Cost of revenue. Cost of revenue increased 7% from RMB751.4 million for fiscal year 2019 to RMB806.1 million (US\$113.8 million) for fiscal year 2020, which was mainly attributable to the increase in total net revenue. Cost of revenue primarily includes product costs, inventory write-downs and KOL service fees.

Gross profit. Gross profit increased 43% from RMB342.0 million for fiscal year 2019 to RMB489.7 million (US\$69.2 million) for fiscal year 2020. Gross margin increased from 31% for fiscal year 2019 to 38% for fiscal year 2020, with gross margin of services increasing from 55% for fiscal year 2019 to 57% for fiscal year 2020.

Total operating expenses. Total operating expenses increased 43% from RMB423.6 million for fiscal year 2019 to RMB607.2 million (US\$85.7 million) for fiscal year 2020. Included in total operating expenses in fiscal year 2020 was an aggregate of RMB78.9 million of non-cash amortization expense of intangible assets in relation to exclusive cooperation rights, non-cash share-based compensation expense, and litigation costs. As such, total operating expenses accounted for 47% and 39% (or 41% and 39%, exclusive of an aggregate of RMB78.9 million noncash charges and litigation costs for fiscal year 2020 as mentioned above) of total net revenue for fiscal years of 2020 and 2019, respectively.

- **Fulfillment expenses.** Fulfillment expenses increased by 6% from RMB126.9 million for fiscal year 2019 to RMB134.9 million (US\$19.0 million) for fiscal year 2020, which was in line with the increase of our product sales volume. Fulfillment expenses accounted for 14% and 13% (or 13% and 13%, exclusive of the aggregate of RMB1.6 million noncash share-based compensation expense in the fiscal year 2020) of product sales revenue during the fiscal years of 2020 and 2019, respectively.
- **Sales and marketing expenses.** Sales and marketing expenses increased by 48% from RMB205.7 million for fiscal year 2019 to RMB305.2 million (US\$43.1 million) fiscal year 2020. Sales and marketing expenses consist primarily of expenses for KOL incubation and cultivation and training, for our platform KOLs, as well as expenses incurred for our advertising, marketing and brand promotion activities under the full-services model. Following the expansion of KOL pool from 128 signed KOLs as of March 31, 2019 to 168 as of March 31, 2020, related expenses for KOL incubation, cultivation and training in order to support increased activities for our KOL sales and advertising business increased accordingly. In addition, the year-over-year increase in sales and marketing expenses was also attributable to the non-cash amortization expense of intangible assets in relation to exclusive cooperation rights of RMB20.6 million and the noncash amortization of share-based compensation expense of RMB10.2 million. Sales and marketing expenses accounted for 24% and 19% (or 21% and 19%, exclusive of the aggregate of RMB30.8 million noncash amortization expense of intangible assets and share-based compensation expense in the fiscal year 2020) of total net revenue during the fiscal years of 2020 and 2019, respectively.

- **General and administrative expenses.** General and administrative expenses increased by 82% from RMB92.0 million for fiscal year 2019 to RMB167.8 million (US\$23.7 million) for fiscal year 2020. The increase was primarily driven by the increased share-based compensation expense of RMB43.5 million, professional fees of RMB21.0 million and bad debt provision of RMB5.7 million. General and administrative expenses accounted for 13% and 8% (or 9% and 8%, exclusive of the aggregate of RMB46.5 million share-based compensation expense and litigation costs in the fiscal year 2020) of total net revenue during the fiscal years of 2020 and 2019, respectively.

Interest income. Interest income increased significantly from RMB0.6 million for fiscal year 2019 to RMB21.9 million (US\$3.1 million) for fiscal year 2020, primarily due to interest income earned on our bank deposits in fiscal year 2020.

Other income, net. Other income, net, was RMB7.6 million for fiscal year 2019 compared to RMB3.1 million (US\$0.4 million) for fiscal year 2020. In fiscal year 2019, we recorded other income, net of RMB7.6 million as a result of the deemed sale of a portion of our long-term investment. In fiscal year 2020, we recorded other income, net of RMB3.1 million (US\$0.4 million), primarily attributable to the amortized income as a result of the upfront reimbursement from our depository bank.

Foreign exchange gain (loss). The foreign exchange gain of RMB3.4 million (US\$0.5 million) for fiscal year 2020 was mainly attributable to the cash balance denominated in US dollars which appreciated against RMB in the fiscal year 2020.

Income tax expense. Income tax expense was RMB10.4 million for fiscal year 2019 compared to RMB8.7 million (US\$1.2 million) for fiscal year 2020.

Net loss. As a result of the foregoing, net loss increased by 15% from RMB84.9 million for fiscal year 2019 to RMB97.8 million (US\$13.8 million) for fiscal year 2020.

Net loss attributable to ruhnn. Net loss attributable to ruhnn was RMB92.5 million (US\$13.1 million, inclusive of an aggregate of RMB78.9 million of noncash amortization expense of intangible assets in relation to exclusive cooperation rights, noncash share-based compensation expense, and litigation costs) compared to RMB73.2 million for the last fiscal year.

Fiscal Year 2019 Compared to Fiscal Year 2018

Net revenue. Total net revenue increased by 15% from RMB947.6 million for fiscal year 2018 to RMB1.1 billion for fiscal year 2019.

- **Revenue from product sales through the full-service model.** Our product sales revenue increased by 3% from RMB912.5 million for fiscal year 2018 to RMB942.8 million for fiscal year 2019. While the sales of our self-designed products on our online stores continued to grow as a result of the booming internet KOL e-commerce economy in China, we ceased sales of certain brands of apparel and cosmetic products in the full-service model in fiscal year 2019 and transformed such business into the platform model. In particular, the increase in our product sales revenue was primarily attributable to the sales growth of the stores opened in the name of the our top-tier KOLs classified based on GMV facilitated. The increase was partially offset by the transformation of the business model of some online stores opened in the name of our emerging and established KOLs from the full-service model into platform model. As a result of such transformation, the number of our online stores decreased to 56 as of March 31, 2019 from 86 as of March 31, 2018 and the number of our KOLs serving the full-service model decreased to 14 as of March 31, 2019 from 33 as of March 31, 2018. Nevertheless, product sales revenue from our online stores opened under top-tier KOLs that were in operation in both fiscal years increased 15% compared to the last fiscal year.
- **Revenue from services through the platform model.** Our services revenue increased by approximately 3.3 times from RMB35.1 million for fiscal year 2018 to RMB150.7 million for fiscal year 2019, primarily due to an increase in the number of KOLs under our platform model to 122 as of March 31, 2019 from 57 as of March 31, 2018, and an increase in the number of brands we cooperated with in our advertising and marketing business to 632 as of March 31, 2019 from 166 as of March 31, 2018.

Cost of Revenue. Cost of revenue increased by 17% from RMB643.4 million for fiscal year 2018 to RMB751.4 million for fiscal year 2019, which was in line with our business expansion.

Gross Profit. Gross profit increased by 12% from RMB304.2 million for fiscal year 2018 to RMB342.0 million for fiscal year 2019 as we continued to grow our business. Gross margin decreased slightly from 32% for fiscal year 2018 to 31% for fiscal year 2019, primarily due to the decreased gross margin of online product sales as a result of discounted sales of apparel and cosmetic products of certain brands we ceased in fiscal year 2019. The decrease was partially offset by the increased proportion of our net revenue attributable to services under the platform model which had higher gross margins than the full-service model, and an increase in the gross margin of our services under the platform model as service fees as a percentage of our services revenue was lowered. We ceased sales of certain brands of apparel and cosmetic products in the full-service model in fiscal year 2019 and transformed such business into the platform model. In connection with such transition, we engaged in more discounted sales in order to dispose of our inventory, especially for discontinued products, in fiscal year 2019.

Operating expenses. Total operating expenses increased by 12% from RMB376.5 million for fiscal year 2018 to RMB423.6 million for fiscal year 2019, primarily due to the following:

- *Fulfillment expenses.* Fulfillment expenses increased by 27% from RMB100.1 million for fiscal year 2018 to RMB126.9 million for fiscal year 2019, which was in line with the expansion of our product sales volume.
- *Sales and marketing expenses.* Sales and marketing expenses increased by 41% from RMB146.2 million for fiscal year 2018 to RMB205.7 million for fiscal year 2019, primarily due to the increased expenses of KOL incubation, cultivation and training in order to support increased activities in our KOL sales and advertising businesses.
- *General and administrative expenses.* General and administrative expenses decreased by 30% from RMB131.0 million for fiscal year 2018 to RMB92.0 million for fiscal year 2019, primarily because there was a provision made against advances paid to a certain supplier of RMB26.3 million in fiscal year 2018.

Interest income. Interest income increased from RMB0.1 million for fiscal year 2018 to RMB0.6 million for fiscal year 2019, primarily due to interest income earned on our bank deposits in fiscal year 2019.

Other income, net. In fiscal year 2019, we recorded other income, net of RMB7.6 million as a result of the deemed sale of a portion of our long-term investment.

Income tax expense. Our income tax expense decreased by 34% from RMB15.8 million for fiscal year 2018 to RMB10.4 million for fiscal year 2019 because income tax expenses incurred by some profitable subsidiaries decreased in fiscal year 2019.

Net loss. As a result of the foregoing, our net loss decreased by 6% from RMB90.0 million for fiscal year 2018 to RMB84.9 million for fiscal year 2019.

Net loss attributable to ruhnn. Net loss attributable to ruhnn was RMB104.0 million for fiscal year 2018 compared to RMB73.2 million for fiscal year 2019.

B. Liquidity and Capital Resources

Our primary sources of liquidity have been contributions by our shareholders and IPO proceeds, which have historically been sufficient to meet our working capital and capital expenditure requirements. As of March 31, 2020, we had cash and cash equivalents of RMB718.5 million (US\$101.5 million) and restricted cash of RMB5.7 million (US\$0.8 million). Our cash and cash equivalents consist of cash on hand and demand deposits and principal-secured floating rate financial instruments which are unrestricted as to withdrawal and use and have original maturities of three months or less when purchased. Our restricted cash represents amounts held by banks, which are not available for our general use, as security for bank acceptance bills. Upon the repayment of bank acceptance bills which generally occur within one year, the deposits will be released by the bank and will become available for our general use.

Set forth below are the amounts of cash and cash equivalents and restricted cash disaggregated by currency denomination as of March 31, 2020 in each jurisdiction:

Jurisdiction:	Currency Denomination	
	RMB	US\$
	(Amounts in thousands)	
Cash and cash equivalents:		
Mainland China	608,655	15,475
Hong Kong, China	50	22
	<u>608,705</u>	<u>15,497</u>
Restricted cash:		
Mainland China	5,673	-
Total cash and cash equivalents and restricted cash	<u><u>614,378</u></u>	<u><u>15,497</u></u>

For fiscal years 2018, 2019 and 2020, we incurred net losses of RMB90.0 million, RMB84.9 million and RMB97.8 (US\$13.8 million), respectively. Net cash used in operating activities was RMB27.6 million and RMB9.4 million in fiscal years 2018 and 2019, respectively. In April 2019, we completed our initial public offering and received proceeds of US\$116.3 million. In addition, we had positive cash flows from operations of RMB50.6 million (US\$7.1 million) in fiscal year 2020. As such, we believe our cash and cash equivalents and cash generated from our operations will provide sufficient liquidity to fund our current obligations, projected working capital requirements and capital spending requirements for at least the next 12 months.

We may require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may sell equity or debt securities or borrow from banks. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would result in additional dilution to our shareholders. The incurrence of indebtedness and issuance of debt securities would result in debt service obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders.

As a holding company with no material operations of our own, we are a corporation separate and apart from our subsidiaries and our VIEs and, therefore, must provide for our own liquidity. We conduct our operations in China primarily through our PRC subsidiary and VIEs. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid by our subsidiaries. If our PRC subsidiary or any newly formed PRC subsidiary incur debt on its own behalf in the future, the instruments governing its debt may restrict its ability to pay dividends to us. In addition, our PRC subsidiary is permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with Chinese accounting standards and regulations. Under applicable PRC laws and regulations, our PRC subsidiary is required to set aside a portion of its after-tax profits each year to fund certain statutory reserves, and funds from such reserves may not be distributed to us as cash dividends except in the event of liquidation of such subsidiaries. These statutory limitations affect, and future covenant debt limitations might affect, our PRC subsidiary's ability to pay dividends to us. We currently believe that such limitations will not impact our ability to meet our ongoing short-term cash obligations although such limitations could affect our ability in the future to meet our short-term cash obligations and to distribute dividends to our shareholders. See "Item 3. Key Information — D. Risk Factors — Risks Relating to Doing Business in China — We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business."

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

	Year Ended March 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(Amounts in thousands)			
Net cash (used in) provided by operating activities	(27,575)	(9,385)	50,566	7,142
Net cash used in investing activities	(1,949)	(6,702)	(320,249)	(45,228)
Net cash provided by financing activities	39,076	88,987	885,475	125,052
Effect of exchange rate changes on cash, cash equivalents and restricted cash	-	-	4,538	641
Increase in cash, cash equivalents and restricted cash	9,552	72,900	620,330	87,607
Cash, cash equivalents and restricted cash at beginning of the year	21,369	30,921	103,821	14,662
Cash, cash equivalents and restricted cash at end of the year	30,921	103,821	724,151	102,269

Operating Activities

For fiscal year 2020, net cash provided by operating activities was RMB50.6 million (US\$7.1 million), primarily due to net loss of RMB97.8 million (US\$13.8 million), adjusted for certain noncash or non-operating items (consisting primarily of depreciation and amortization, share-based compensation, provision for allowance for doubtful accounts and inventory write-downs) of RMB159.0 million (US\$22.5 million), and cash used as a result of changes in assets and liabilities of RMB10.6 million (US\$1.5 million), primarily including the increase in accounts receivable and the decrease in notes payable, partially offset by the increase in accounts payable, accrued salary and benefit, and deferred revenue.

For fiscal year 2019, net cash used in operating activities was RMB9.4 million, primarily due to net loss of RMB84.9 million, adjusted for certain noncash or non-operating items (consisting primarily of depreciation and amortization, reversal for allowance for doubtful accounts, loss on disposal of property, plant and equipment, share of loss in equity method investment, and gains from deemed sale of equity investment) of RMB37.7 million, and cash provided as a result of changes in assets and liabilities of RMB37.9 million, primarily including the decrease in inventories, and the increase in amount due to related parties, accrued salary and benefits, and accrued expenses and other current liabilities, partially offset by the increase in accounts receivable and advances to suppliers, and the decrease in notes payable.

For fiscal year 2018, net cash used in operating activities was RMB27.6 million, primarily due to net loss of RMB90.0 million, adjusted for certain noncash or non-operating items (consisting primarily of depreciation and amortization, provision for allowance for doubtful accounts, inventory write-downs, and share of loss in equity method investment) of RMB72.7 million, and cash used as a result of changes in assets and liabilities of RMB10.4 million, primarily including the increase in accounts receivable, inventories and advances to suppliers, partially offset by the increase in notes payable, amount due to related parties, accrued salary and benefits, accrued expenses and other current liabilities, and income tax payables.

Investing Activities

For fiscal year 2020, net cash used in investing activities was RMB320.2 million (US\$45.2 million), which was primarily attributable to repayment to Hangzhou Ruhnn for the acquired buildings and related leasehold improvements of RMB125.4 million (US\$17.7 million), purchase of long-term investment of RMB80.0 million (US\$11.3 million), purchases of property and equipment of RMB39.2 million (US\$5.5 million), and the increase in short-term investment, net, of RMB76.5 million (US\$10.8 million).

For fiscal year 2019, net cash used in investing activities was RMB6.7 million, which was attributable to renovation of offices of RMB6.8 million.

For fiscal year 2018, net cash used in investing activities was RMB1.9 million, which was mainly attributable to purchase of property and equipment of RMB1.8 million.

Financing Activities

For fiscal year 2020, net cash provided by financing activities was RMB885.5 million (US\$125.1 million), which was primarily attributable to proceeds from issuance of ordinary shares upon initial public offering, net of offering costs, of RMB762.0 million (US\$107.6 million), and proceeds from shareholder's payment for ordinary shares of RMB559.0 million (US\$78.9 million), partially offset by repayment of loans to Hangzhou Ruhnn of RMB434.5 million (US\$61.4 million).

For fiscal year 2019, net cash provided by financing activities was RMB89.0 million, which was primarily attributable to advances from Hangzhou Ruhnn of RMB114.5 million, partially offset by dividend paid to non-controlling interest holders of RMB17.0 million, and transaction cost in relation to capital contribution of RMB8.5 million.

For fiscal year 2018, net cash provided by financing activities was RMB39.1 million, which was primarily attributable to advances from Hangzhou Ruhnn of RMB45.0 million, partially offset by payment of notes payable assumed in the acquisition of Weimai Culture Co., Ltd. of RMB5.1 million.

Capital Expenditures

We made capital expenditures of RMB1.8 million, RMB6.8 million and RMB164.6 million (US\$23.3 million) for fiscal years 2018, 2019 and 2020, respectively. As of March 31, 2020, we have several contracts with third-party suppliers for the decoration of our headquarters. The related capital commitments as of March 31, 2020 amounted to RMB7.9 million (US\$1.1 million), which is expected to be disbursed during the next 12 months.

Holding Company Structure

We are a holding company with no operations of our own. We own and conduct operations primarily through our subsidiary in the PRC, the VIE and the VIE's subsidiaries. As a result, we rely on dividends and other distributions paid by our subsidiary to pay dividends to our shareholders or to service our outstanding debts. Therefore, our ability to pay dividends depends upon dividends paid by our subsidiary. If our subsidiary or any newly formed subsidiaries 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-owned PRC subsidiary are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our PRC subsidiary and our VIE is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Although the statutory reserves can be used, among other ways, to increase registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by the SAFE. We currently plan to reinvest all earnings from our PRC subsidiary to its business development and do not plan to request dividend distributions from it.

Inflation

Since inception, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2017, 2018 and 2019 were increases of 1.6%, 2.1% and 2.9%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

C. Research and Development

We have focused on and will continue to invest in our technology system, which supports all key aspects of our platform. Expenses related to our IT department, which undertakes many of our research and development activities amounted to RMB11.7 million, RMB10.3 million and RMB11.2 million (US\$1.6 million) in fiscal years 2018, 2019 and 2020, respectively.

Research and development costs are expensed as incurred unless such costs qualify for capitalization as software development costs. In order to qualify for capitalization, (i) the preliminary project should be completed, (ii) management has committed to funding the project and it is probable that the project will be completed and the software will be used to perform the function intended, and (iii) it will result in significant additional functionality in our services.

In accordance with ASC 350-40, “*Software — Internal use software*,” we capitalize eligible costs, including salaries and staff benefits, share-based compensation expense, travel expenses incurred by relevant employees, and other relevant costs of developing internal-use software that are incurred in the application development stage when developing or obtaining software for internal use. Once the software developed for internal use is ready for its intended use, it is amortized on a straight-line basis over its useful life.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the fiscal year ended March 31, 2020 that are reasonably likely to have a material effect on our total net revenue, income, profitability, liquidity or capital reserves, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet 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 shares and classified as shareholders’ equity, or that are not reflected in our combined and consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of March 31, 2020:

	Payment Due by Fiscal Year Ended March 31,					Total
	2021	2022	2023	2024	2025 and beyond	
	(Amounts in thousands of RMB)					
Operating lease commitments	14,902	12,204	11,179	8,404	3,755	50,444
Capital commitments	7,870	-	-	-	-	7,870
Total	22,772	12,204	11,179	8,404	3,755	58,314

We lease certain offices and warehouse premises. We incurred rental expenses under operating leases of RMB12.5 million, RMB20.0 million and RMB21.5 million (US\$3.0 million) for fiscal years 2018, 2019 and 2020, respectively.

As of March 31, 2020, we have approximately RMB7.9 million capital commitments in relation to our office decoration projects.

G. Safe Harbor

See “Forward-Looking Statements.”

Item 6. Directors, Senior Management and Employees**A. Directors and Senior Management****Directors and Executive Officers**

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

Name	Age	Position/Title
Min Feng	39	Founder and Chairman
Lei Sun	40	Founder, Director and Chief Executive Officer
Chao Shen	39	Founder and Director
Pen Hung Tung	50	Director
Ke Cheng	38	Director and Chief Operating Officer
Shangzhen Li	40	Director and Vice President
Junhong Qi	43	Independent Director
Cecilia Xiaocao Xu	40	Independent Director
Tina Ying Shi	38	Independent Director
Jacky Jinbo Wang	41	Chief Financial Officer

Min Feng, aged 39, is one of our founders and has served as the chairman of our board since October 2018. He also serves as the chairman of the board of Hangzhou Ruhnn since April 2016. From December 2012 to March 2016, he was the chairman of the board of Hangzhou Ruhnn E-Commerce Company Limited, or Ruhnn E-Commerce. From January 2007 to November 2012, he was the general manager at Hangzhou Hedi Xiongjia Technology Company Limited. Prior to that, Mr. Feng worked in the information technology sector. He was the general manager at Nanjing Binhui Information Technology Company Limited from January 2006 to December 2006 and a manager at Zhejiang Zongheng Information Service Company Limited from September 2002 to December 2005. Mr. Feng received his bachelor's degree in Business Administration from Zhejiang University of Technology in 2002.

Lei Sun, aged 40, is one of our founders and has served as our director and chief executive officer since October 2018. He also serves as a director and chief executive officer of Hangzhou Ruhnn since April 2016. From December 2012 to March 2016, he was the general manager at Ruhnn E-Commerce. From January 2007 to November 2012, he was the vice general manager at Hangzhou Hedi Xiongjia Technology Company Limited. From January 2006 to December 2006, he was the vice general manager at Nanjing Binhui Information Technology Company Limited. From September 2003 to December 2005, he was the vice general manager at Hangzhou Zhijiang Network Technology Company Limited. Mr. Sun received his bachelor's degree in Computer Science from Zhejiang University in 2001, and he received his master's degree in Computer Science from Zhejiang University in 2006.

Chao Shen, aged 39, is one of our founders and has served as our director since October 2018. He also serves as a director of Hangzhou Ruhnn since April 2016. From December 2012 to March 2016, he was the vice general manager at Ruhnn E-Commerce. From June 2011 to November 2012, he was the vice general manager at Hangzhou Lingsu E-Commerce Company Limited. Mr. Shen also has over five years of experience as the investment director. He was the investment director at Shanghai Chengwei Capital Company from September 2009 to May 2011. He was also the investment director at Walden International Investment Company from August 2005 to August 2009. Mr. Shen received his bachelor's degree in Finance from Tsinghua University in 2003, and he received his master's degree in Finance from Tsinghua University in 2005.

Pen Hung Tung, aged 50, has served as our director since October 2018. He also has served as a director of Hangzhou Ruhnn since December 2016. In addition, he has been the Chief Marketing Officer at Alibaba Company since January 2016. Previously, he was the Chief Executive Officer at VML China from October 2010 to January 2016. Prior to that, he was the Vice President of Marketing at PepsiCo China from October 2004 to October 2010. From 1995 to 2003, he worked in various companies, including Procter & Gamble, GigaMedia Limited and L'Oreal Paris. Mr. Tung received his bachelor's degree in Electrical Engineering from National Taiwan University in 1992, and he received his master's degree in Industrial Engineering from the University of Michigan, Ann Arbor in 1995.

Ke Cheng, aged 38, has served as our director and chief operating officer since October 2018. He also has served as a director and chief operating officer of Hangzhou Ruhnn since April 2016. From December 2012 to March 2016, he was the chief operating officer at Ruhnn E-Commerce. Prior to that, he was the manager of the technology department at a number of firms, including Hangzhou Hedi Xiongjia Technology Company Limited from January 2008 to November 2012, Nanjing Binghui Information Technology Company Limited from January 2006 to December 2006, and Hangzhou Zhijiang Network Technology Company Limited from September 2003 to December 2005. Mr. Cheng received his bachelor's degree in Computer Science from Zhejiang University in 2003.

Shangzhen Li, aged 40, has served as our director and vice president since October 2018. He also has served as a director of Hangzhou Ruhnn since December 2016. Mr. LI has considerable experience in supply chain management and marketing. He has served as the general manager of Hangzhou Ruhnn Supply Chain Management Company Limited since April 2016. He was the director of supply chain at Ruhnn E-Commerce from December 2012 to April 2016. Prior to that, he was the manager of marketing department at Hangzhou Hedi Xiongjia Technology Company Limited from January 2007 to November 2012. He was previously the manager of the marketing center at Nanjing Binghui Information Technology Company Limited from June 2006 to December 2006. In addition, he was the manager of market department at Hangzhou Tongji Technology Application Company Limited from September 2002 to May 2006. Mr. Li received his diploma in Hotel Management from Zhejiang Shuren University in 2002.

Junhong Qi, aged 43, has served as our independent director since April 2019. Previously, Mr. Qi founded Beijing Xiron Books Co., Ltd. in December 2007 and has served as chairman and president of the company since its inception. Prior to that, he served as the general manager of Xiron (Beijing) Culture Development Co., Ltd. from 2004 to 2007. From 2000 to 2002, he served as the vice president of Chinese All Digital Publishing Company Co., Ltd. He also worked in the market division of Huawei Technology Co., Ltd. in 1999. Mr. Qi received his bachelor's degree in Computer Science and bachelor's degree in Business Administration from the University of Science and Technology of China in 1999.

Cecilia Xiaocao Xu, aged 40, has served as our independent director since April 2019. Ms. Xu is currently the corporate controller of Ideanomics, Inc. (Nasdaq: IDEX). Prior to that, she was the finance director at Axiom Global Inc from April 2017 to October 2018. She was formerly the SEC reporting manager of the Ubiquiti Networks (Nasdaq: UBNT) from May 2016 to April 2017. Prior to that, she was the global audit manager and corporate accounting manager at the China and U.S. offices of Unisys (NYSE: UIS) from 2007 to 2016. In addition, she worked at PricewaterhouseCoopers from 2001 to 2007 most recently as an audit manager in the Shanghai office. Ms. Xu received her bachelor's degree in International Finance from Shanghai University of Finance and Economics in July 2001. She is a certified public accountant in the U.S. and China and is also a certified international internal auditor.

Tina Ying Shi, aged 38, has served as our independent director since August 2020. Ms. Shi is currently the associate director of the China Program of the King Center on Global Development at Stanford University. Before going back to serve her alma mater, Ms. Shi spent over seven years from July 2012 to May 2020 with Qunar (Nasdaq: QUNR), a leading online travel company in China, where her most recent role was the Vice President of the Mobile Business Group. Prior to that, Ms. Shi spent six years with GSR Ventures in Silicon Valley and was responsible for deal sourcing and execution focusing on the consumer internet and mobile space in China. Ms. Shi received her master's degree in Business Administration from the Wharton School of the University of Pennsylvania in 2010, her master's degree in Communication from Stanford University in 2006, and her bachelor's degree in English from Fudan University in 2000.

Jacky Jinbo Wang, aged 41, has served as our chief financial officer since November 2019. Before joining us, Mr. Wang served as the chief accounting officer of Red Violet, Inc. (Nasdaq: RDVT), a leading Florida-based analytics and information solutions provider. Red Violet, Inc. is a March 2018 spin off from Fluent, Inc. (Nasdaq: FLNT), a leading New York-based information and performance marketing solutions provider, where Mr. Wang served as its chief financial officer and chief accounting officer since August 2014. Prior to that, Mr. Wang served as the vice president of TouchMedia, an in-taxi touchscreen media provider in China. He also served as finance director of AdChina Ltd., a leading integrated internet advertising platform in China. Mr. Wang began his career at Ernst & Young, where he worked at both Los Angeles and Shanghai offices from September 2001 to February 2010. Mr. Wang is a Certified Public Accountant in California, a member of the Association of Chartered Certified Accountants, and a member of the Chinese Institution of Certified Public Accountants. Mr. Wang received his bachelor's degree in Business Administration from Shanghai International Studies University.

The business address for all of our directors, executive officers and senior management is Floor 11, Building 2, Lvgu Chuangzhi Development Center, 788 Hong Pu Road, Jianggan District, Hangzhou 310016, People's Republic of China.

B. Compensation

Compensation

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

For fiscal years 2018, 2019 and 2020, we and our subsidiaries paid aggregate cash compensation and benefits of approximately RMB4.2 million, RMB4.7 million and RMB6.9 million (US\$1.0 million) to our directors and executive officers as a group. We did not pay any other cash compensation or benefits in kind to our directors and executive officers.

In September 2018, one of our founders, Min Feng, settled the Ruhnn Investment Trust for our employee incentive scheme and donated 100% equity in Ruhnn Investment Limited, which holds 6,400,000 of our ordinary shares, to the trust. TMF Trust (HK) Limited serves as the trustee of the trust. The trust has an advisory committee that has committee powers with respect to the management and disposition of the trust assets as well as the power to appoint and remove beneficiaries of the trust. Min Feng serves as the initial member of the advisory committee.

2019 Share Incentive Plan

We adopted our 2019 equity incentive plan, or the Plan, in March 2019 which became effective upon the completion of our initial public offering and pursuant to which equity-based awards may be granted to eligible participants. The purpose of the Plan is to attract and retain the services of key personnel and to provide means for directors, officers, employees, consultants and advisors to acquire and maintain an interest in us, which may be measured by reference to the value of Class A ordinary shares.

The Plan provides for an aggregate amount of Class A ordinary shares of no more than 8% of the total outstanding number of ordinary shares as reflected on the register of members of the Company. In addition, the number of Class A ordinary shares available to issue under the Plan will be increased as may be determined by our board of directors provided that (i) the aggregate number of Class A ordinary shares increased in each fiscal year shall not be more than 3% of the total number of ordinary shares issued and outstanding on the last day of the immediately preceding fiscal year and (ii) the aggregate number of Class A ordinary shares increased during the term of the Plan shall not be more than 6% of the total number of ordinary shares issued and outstanding on the last day of the fiscal year immediately preceding the most recent increase. Generally, if any award (or portion thereof) under the Plan terminates, expires, lapses or is cancelled for any reason without being vested or exercised, as applicable, the Class A ordinary shares subject to such award will again be available for future grant.

The following paragraphs summarize the principal terms of the Plan.

Types of award

The Plan permits the grant of several kinds of awards, including among others, options, restricted shares, restricted share units and share appreciation rights.

Administration

The Plan is administered by our directors, the compensation committee, or any subcommittee thereof to whom the directors or the compensation committee shall delegate the power to administer the Plan. The Plan administrator is authorized to interpret the Plan and to determine the provisions of each award.

Change in control

In the event of a change in control or another transaction having a similar effect, then the Plan administrator may, in its sole discretion, adjust the number of ordinary shares subject to awards then held by a participant in the Plan as needed to prevent dilution or enlargement of the participant's rights that otherwise would result from such event. The Plan administrator may also, in its sole direction, provide in substitution for the participant's awards such alternative consideration as it may determine to be equitable in the circumstances. A "change of control" under the Plan is defined as (i) the board of directors changes such that there is turnover of at least fifty percent of the members of the board; (ii) the shareholders approve any plan or proposal for the liquidation or dissolution of the company; (iii) the shareholders approve any consolidation, merger or share exchange of the company in which the company ceases to exist as a corporation, or as a result of which, the ordinary shares would be converted into cash, securities or other property; or (iv) any sale, lease, exchange or other transfer of all or substantially all of the company's assets. There will be an exception to the definition of "change of control" as follows: a transaction described in (iii) or (iv) shall not be a "change of control" if (A) after such transaction the board of directors does not undergo a turnover of at least fifty percent of the members of the board, and/or such unchanged board of directors controls an entity which directly or indirectly holds a majority of the ordinary shares of the continuing, surviving or acquiring entity referenced in (iii) or (iv); and (B) such successor entity assumes all outstanding share options under the Plan.

Term

Unless terminated earlier, the Plan will expire ten years from the date the Plan becomes effective. Awards made under the Plan on or prior to the date of its termination will continue in effect subject to the terms of the Plan and the award.

Vesting schedule

In general, the Plan administrator determines the vesting schedule, which will be set forth in the award agreement.

Amendment and termination

Our board of directors may at any time amend, alter or discontinue the Plan, subject to certain exceptions.

The following table summarizes the outstanding options that we granted to our directors and executive officers and to other individuals as a group under the Plan:

<u>Name</u>	<u>Ordinary shares underlying outstanding options</u>	<u>Exercise price (US\$/ Share)</u>	<u>Date of grant</u>	<u>Date of expired</u>
Ke Cheng	*	0.01	2019-8-12	2029-8-12
Shangzhen Li	*	0.01	2019-8-12	2029-8-12
Jacky Jinbo Wang	*	0.01	2019-10-16	2029-8-16
Cecilia Xiaocao Xu	*	1.24	2019-8-12	2029-8-12
Cecilia Xiaocao Xu	*	0.01	2020-8-14	2030-8-14
Junhong Qi	*	1.24	2019-8-12	2029-8-12
Junhong Qi	*	0.01	2020-8-14	2030-8-14
Tina Ying Shi	*	0.01	2020-8-14	2030-8-14
All directors and executive officers as a group	4,905,000			

* Less than 1% of our total ordinary shares outstanding.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. We may terminate their employment for cause at any time without remuneration for certain acts, such as a material breach of our company's employment principles, policies or rules, a material failure to perform his or her duties, misappropriation or embezzlement or a criminal conviction. We may also terminate any executive officer's employment without cause or due to a change of control event involving our company by giving written notice. In such cases, an executive officer is entitled to severance payments and benefits. An executive officer may terminate his or her employment at any time by giving written notice, in which case the executive officer will not be entitled to any severance payments or benefits.

Our executive officers have also agreed not to engage in any activities that compete with us or to directly or indirectly solicit the services of any of our employees, for a certain period after the termination of employment. Each executive officer has agreed to hold in strict confidence any trade secrets of our company, including technical secrets, marketing information, management information, legal information, third-party business secrets and other kinds of confidential information. Each executive officer also agrees to perform his or her confidentiality obligation and protect our company's trade secrets in a way consistent with the policies, rules and practices of our company. Breach of the above confidentiality obligations would be deemed a material breach of our company's employment policies and we are entitled to seek legal remedies.

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

C. Board Practices

Our board of directors currently consists of nine directors. Our second amended and restated memorandum and articles of association does not provide a maximum number of directors, but it requires that the minimum number of directors shall be one. However, we may, from time to time change this limit by way of an ordinary resolution passed in general meeting. As provided by our second amended and restated memorandum and articles of association, the directors may appoint any person to be a director, either to fill a vacancy or as an additional director. In addition, our shareholders may by an ordinary resolution appoint any person to be a director or remove any director. The board may from time to time at its discretion exercise all powers of our company to raise capital or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our company and issue debentures, bonds and other securities of our company, whether outright or as collateral security for any debt, liability or obligation of our company or of any third party.

Duties of Directors

Under Cayman Islands law, all of our directors owe us fiduciary duties, including a duty of loyalty, a duty to act honestly and a duty to act in good faith and in a manner that they believe to be in 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 amended articles of association, as amended and restated from time to time. We have the right to seek damages if a duty owed by any of our directors is breached.

Terms of Directors and Executive Officers

Our second amended and restated memorandum and articles of association does not provide a maximum number of directors, but it requires that the minimum number of directors shall be one. However, we may, from time to time change this limit by way of an ordinary resolution passed in general meeting. As provided by our second amended and restated memorandum and articles of association, the directors may appoint any person to be a director, either to fill a vacancy or as an additional director. In addition, our shareholders may by an ordinary resolution appoint any person to be a director or remove any director.

We may fix a minimum shareholding required to be held by a director in a general meeting, but unless and until such a shareholding qualification is fixed, a director is not required to hold shares.

We have entered into employment agreements with each of our executive officers. We may terminate their employment for cause at any time without remuneration for certain acts, such as a material breach of our company's employment principles, policies or rules, a material failure to perform his or her duties, misappropriation or embezzlement or a criminal conviction. We may also terminate any executive officer's employment without cause or due to a change of control event involving our company by giving written notice. In such cases, an executive officer is entitled to severance payments and benefits. An executive officer may terminate his or her employment at any time by giving written notice, in which case the executive officer will not be entitled to any severance payments or benefits.

Our executive officers have also agreed not to engage in any activities that compete with us or to directly or indirectly solicit the services of any of our employees, for a certain period after the termination of employment. Each executive officer has agreed to hold in strict confidence any trade secrets of our company, including technical secrets, marketing information, management information, legal information, third-party business secrets and other kinds of confidential information. Each executive officer also agrees to perform his or her confidentiality obligation and protect our company's trade secrets in a way consistent with the policies, rules and practices of our company. Breach of the above confidentiality obligations would be deemed a material breach of our company's employment policies and we are entitled to seek legal remedies.

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

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the committees. Each committee's members and functions are described below.

Audit Committee

Our audit committee consists of Cecilia Xiaocao Xu, Junhong Qi and Tina Ying Shi. Ms. Xu is the chairman of our audit committee. We have determined that Ms. Xu satisfies the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. We have determined that each of Ms. Xu, Mr. Qi and Ms. Shi satisfies the requirements for an "independent director" within the meaning of the Nasdaq Stock Market Rules and will meet the criteria for independence set forth in Rule 10A-3 of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act. Our audit committee will consist solely of independent directors.

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

- selecting, and evaluating the qualifications, performance and independence of, the independent auditor;
- pre-approving or, as permitted, approving auditing and non-auditing services permitted to be performed by the independent auditor;
- considering the adequacy of our internal accounting controls and audit procedures;
- reviewing with the independent auditor any audit problems or difficulties and management's response;

- reviewing and approving related party transactions between us and our directors, senior management and other persons specified in Item 6B of Form 20-F;
- reviewing and discussing the quarterly financial statements and annual audited financial statements with management and the independent auditor;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- meeting separately, periodically, with management, internal auditors and the independent auditor; and
- reporting regularly to the full board of directors.

Compensation Committee

Our compensation committee consists of Min Feng, Junhong Qi and Cecilia Xiaocao Xu. Mr. Feng is the chairman of our compensation committee. We have determined that Mr. Qi and Ms. Xu satisfy the requirements for an “independent director” within the meaning of the Nasdaq Stock Market Rules.

Our compensation committee is responsible for, among other things:

- reviewing, evaluating and, if necessary, revising our overall compensation policies;
- reviewing and evaluating the performance of our directors and senior officers and determining the compensation of our senior officers;
- reviewing and approving our senior officers’ employment agreements with us;
- setting performance targets for our senior officers with respect to our incentive—compensation plan and equity-based compensation plans;
- administering our equity-based compensation plans in accordance with the terms thereof; and such other matters that are specifically delegated to the remuneration committee by our board of directors from time to time.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Min Feng, Junhong Qi and Cecilia Xiaocao Xu. Mr. Feng is the chairman of our nominating and corporate governance committee. We have determined that Mr. Qi and Ms. Xu satisfy the requirements for an “independent director” within the meaning of the Nasdaq Stock Market Rules.

Our nominating and corporate governance committee is responsible for, among other things:

- selecting the board nominees for election by the shareholders or appointment by the board;
- periodically reviewing with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience 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 corporate governance law and practices as well as our compliance with applicable laws and regulations, and making recommendations to the board on corporate governance matters.

D. Employees

As of March 31, 2020, we had 779 full time employees. The table below sets forth the numbers of employees by functions as of March 31, 2020.

Function	Number of full-time employees(1)	Percentage
KOL operations	492	63%
KOL engagement and incubation	105	13%
Content producers	156	20%
Product designers	80	10%
Operation and support	115	15%
Business development	36	5%
Supply chain and logistics	139	18%
Customer service	17	2%
IT and R&D	42	5%
General and administrative	89	12%
Total	779	100%

(1) The number of employees presented in this table does not include KOLs who only entered into cooperation agreements with us.

We enter into employment contracts with our full-time employees which contain standard confidentiality and non-compete provisions. In addition to salaries and benefits, we provide performance-based bonuses for our full-time employees and commission-based compensation for our sales and marketing force.

Under PRC laws, we participate in various employee social security plans that are organized by municipal and provincial governments for our PRC-based full-time employees, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under PRC laws to make contributions from time to time to employee benefit plans for our PRC-based full-time employees at specified percentages of their salaries, bonuses and certain allowances of such employees, up to maximum amounts specified by local governments in China.

We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes in the past. None of our employees are represented by labor unions.

E. Share Ownership

The following table sets forth information with respect to beneficial ownership of our ordinary shares by:

- each of our directors and executive officers;
- our directors and executive officers as a group; and
- each person known to us to own beneficially 5.0% or more of our ordinary shares.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to, or the power to receive the economic benefit of ownership of, the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option or other right or the conversion of any other security.

As of July 31, 2020, there were 420,956,644 ordinary shares issued and outstanding, comprising 250,772,394 Class A ordinary shares and 170,184,250 Class B ordinary shares.

	Ordinary shares beneficially owned			
	Number of Class A ordinary shares	Number of Class B ordinary shares	% of total ordinary shares on an as-converted basis **	% of voting power ***
Directors and Executive Officers:*				
Min Feng(1)	6,400,000	100,017,125	25.3%	51.5%
Lei Sun(2)	4,650,000	48,404,750	12.6%	25.0%
Chao Shen(3)	1,560,360	21,762,375	5.5%	11.2%
Pen Hung Tung	-	-	-	-
Ke Cheng	-	-	-	-
Shangzhen Li	-	-	-	-
Cecilia Xiaocao Xu	-	-	-	-
Junhong Qi	-	-	-	-
Tina Ying Shi	-	-	-	-
Jacky Jinbo Wang	-	-	-	-
Directors and executive officers as a group	12,610,360	170,184,250	43.4%	87.7%
Principal Shareholders:				
Ruhnn1106 Investment Limited(4)	-	100,017,125	23.8%	51.2%
China Himalaya Investment Litimited(5)	54,535,899	-	13.0%	2.8%
LEIYU Investment Limited(6)	4,650,000	48,404,750	12.6%	25.0%
YangMing Investment Limited(7)	1,560,360	21,762,375	5.5%	11.2%
Legend Capital entities(8)	35,188,080	-	8.4%	1.8%
Taobao China Holding Limited(9)	31,110,600	-	7.4%	1.6%
Shanghai Yuanqiong Enterprise Management(10)	31,080,000	-	7.4%	1.6%

* Except as otherwise indicated below, the business address of our directors and executive officers is c/o Floor 11, Building 2, Lvgu Chuangzhi Development Center, 788 Hong Pu Road, Jianggan District, Hangzhou 310016, People's Republic of China.

** For each person and group included in this column, percentage ownership is calculated by dividing the number of ordinary shares beneficially owned by such person or group, including shares that such person or group has the right to acquire within 60 days after the date of this annual report, by the sum of (i) 420,956,644 which is the total number of ordinary shares issued and outstanding as of the date of this annual report, and (ii) the number of ordinary shares that such person or group has the right to acquire beneficial ownership within 60 days after the date of this annual report.

*** For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. In respect of matters requiring a shareholder vote, each Class A ordinary share are entitled to one vote and each Class B ordinary share will be entitled to ten votes. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

- Represents (i) 100,017,125 Class B ordinary shares held by Ruhnn1106 Investment Limited, a limited liability company incorporated in the British Virgin Islands, wholly owned by Min Feng, and (ii) 6,400,000 Class A ordinary shares held by Ruhnn Investment Limited, a limited liability company incorporated in the British Virgin Islands, wholly owned by Ruhnn Investment Trust. Min Feng is the sole member of the advisory committee of Ruhnn Investment Trust and can exercise voting and investment power of the ordinary shares held by Ruhnn Investment Limited.
- Represents 48,404,750 Class B ordinary shares, and 4,650,000 Class A ordinary shares represented by ADSs, held by LEIYU Investment Limited, a limited liability company incorporated in the British Virgin Islands, wholly owned by Lei Sun.
- Represents 21,762,375 Class B ordinary shares, and 1,560,360 Class A ordinary shares represented by ADSs, held by YangMing Investment Limited, a limited liability company incorporated in the British Virgin Islands, wholly owned by Chao Shen.
- Represents 100,017,125 Class B ordinary shares held by Ruhnn1106 Investment Limited, a limited liability company incorporated in the British Virgin Islands, wholly owned by Min Feng. Its registered address is c/o Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- Represents 54,535,899 Class A ordinary shares held by China Himalaya Investment Limited, a limited liability company incorporated in the British Virgin Islands, wholly owned by Yi Zhang, one of our top KOLs, following the completion of the Hangzhou Dayi Minority Interest Acquisition.

- (6) Represents 48,404,750 Class B ordinary shares, and 4,650,000 Class A ordinary shares represented by ADSs, held by LEIYU Investment Limited, a limited liability company incorporated in the British Virgin Islands wholly owned by Lei Sun. Its registered address is c/o Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (7) Represents 21,762,375 Class B ordinary shares, and 1,560,360 Class A ordinary shares represented by ADSs, held by YangMing Investment Limited, a limited liability company incorporated in the British Virgin Islands wholly owned by Chao Shen. Its registered address is c/o Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (8) Represents (i) 27,340,000 Class A ordinary shares, and 3,700,000 Class A ordinary shares represented by ADSs, held by Shanghai Legend Capital Shudai Enterprise Management Consulting Partnership Enterprise (Limited Partnership) (“Shudai”) and (ii) 3,658,080 Class A ordinary shares, and 490,000 Class A ordinary shares represented by ADSs, held by Beijing Junlian Yitong Equity Investment Partnership (Limited Partnership) (“Yitong”). Shudai is a limited partnership established under the law of the People’s Republic of China with its registered address at 5th Floor, Building 7, No. 3601 Dongfang Road, Pudong New District, Shanghai, People’s Republic of China. Yitong is a limited partnership established under the law of the People’s Republic of China with its registered address at 238, 2F, Building 56A, Section 2, Lane 2, Tianhua Park, Beijing Economics and Technology Development Zone, Beijing, People’s Republic of China. Shudai and Yitong are collectively referred to as the Legend Capital entities. Shudai and Yitong are controlled by Beijing Junlian Tongdao Investment Management Partnership (Limited Partnership) (“Junlian Tongdao”), their general partner. Junlian Tongdao is controlled by Junlian Capital (Shenzhen) Management Co., Ltd. (“Junlian Shenzhen”), its general partner. Junlian Shenzhen is wholly-owned by Junlian Capital Management Co., Ltd. (“Junlian Capital”). Junlian Capital is majority-owned by Beijing Juncheng Hezhong Investment Management Partnership (Limited Partnership), which is controlled by Beijing Junqi Jiarui Enterprise Management Co., Ltd. (“Junqi”), its general partner. Junqi is controlled by its board of directors consisting of three individuals.
- (9) Represents 31,110,600 Class A ordinary shares held by Taobao China Holding Limited, a limited liability company incorporated in Hong Kong. Its registered address is c/o 26/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Taobao China Holding Limited is wholly owned by Taobao Holding Limited, an exempted company incorporated in the Cayman Islands. Taobao China Holding Limited is wholly owned by Alibaba Group Holding Limited, a public company listed on the New York Stock Exchange (NYSE: BABA).
- (10) Represents 24,904,000 Class A ordinary shares, and 6,176,000 Class A ordinary shares represented by ADSs, held by Shanghai Yuanqiong Enterprise Management Company Limited, a limited liability company incorporated in the PRC. Its registered address is c/o 1st floor, Building 1, 251 Yaohua Road, Shanghai Pilot Free Trade Zone, China. Shanghai Yuanqiong Enterprise Management Company Limited is a subsidiary of Xiamen Saifu Equity Investment Partnership (Limited Partnership). Xiamen Saifu Equity Investment Partnership (Limited Partnership) is controlled by Tianjin Saif Shengyuan Investment Management Center (Limited Partnership), its general partner. Tianjin Saif Shengyuan Investment Management Center (Limited Partnership) is controlled by Tianjin Himalaya Investment Consulting Co., Ltd., its general partner.

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

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

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

B. Related Party Transactions

Transactions with Hangzhou Ruhnn

Hangzhou Ruhnn is the former owner of our VIE. We had loans from Hangzhou Ruhnn in the amount of RMB320.1 million, RMB434.5 million and nil as of March 31, 2018, 2019 and 2020, respectively. The loan bears an interest rate of 1.5% per annum and could be settled on demand before December 31, 2016. Interest due under this related party loan was waived by Hangzhou Ruhnn starting from January 1, 2017. As such, there was no interest expense recorded for fiscal years 2018, 2019 and 2020. As of March 31, 2018, 2019 and 2020, we had a total amount of RMB0.3 million, nil and nil due from Hangzhou Ruhnn, and we had a total amount of RMB354.9 million, RMB559.9 million and nil due to Hangzhou Ruhnn, respectively.

During the fiscal year ended March 31, 2019, Hangzhou Ruhnn sold buildings and related leasehold improvements at an amount of RMB125.4 million to Hanyi E-Commerce as part of the Equity Restructuring. The amount has been paid during the fiscal year ended March 31, 2020.

On October 4, 2018, as part of the Equity Restructuring, Hangzhou Ruhnn waived payables in the amount of RMB50.2 million which were incurred in relation to payroll expenses paid to certain employees on behalf of us. The amounts due to Hangzhou Ruhnn waived in connection with the Equity Restructuring were recorded as a capital contribution in additional paid-in capital on the combined and consolidated statements of shareholders' deficits.

Transactions with Yi Zhang's affiliates

Dayi (Shanghai) Film Culture Studio, Shanghai Xiuxi Culture Communication Studio, Shanghai Menglei Corporation Management Center, Shanghai Mengqin Corporation Management Center and Shanghai Mengxiang Corporation Management Center are owned by a shareholder and one of our top KOLs, Yi Zhang. We engaged KOL services from those companies in the amount of RMB42.1 million, RMB63.8 million and RMB80.8 million (US\$11.4 million) for fiscal years 2018, 2019 and 2020, respectively. As of March 31, 2018, 2019 and 2020, respectively, we had a total amount of RMB19.7 million, RMB14.5 million and RMB17.0 million (US\$2.4 million) due to those companies, which has been fully settled as of the date of this annual report.

Transactions with a Sijia Chen's affiliate

Daohua Mama Culture Communication Studio is owned by Sijia Chen, who is one of our top KOLs and also the spouse of our founder and chairman of the board of directors, Min Feng. We engaged KOL services from this company in the amount of nil, nil and RMB10.0 million (US\$1.4 million) for fiscal years 2018, 2019 and 2020, respectively. As of March 31, 2018, 2019 and 2020, respectively, we had a total amount of nil, nil and RMB0.6 million (US\$0.1 million) due to this company, which has been fully settled as of the date of this annual report.

Contractual Arrangements with Our VIE and its Shareholders

PRC laws and regulations currently restrict foreign investors to hold more than 49% of the equity interests in an enterprise that provides talent agency services. Therefore, we currently conduct our operations mainly through our consolidated VIE and its subsidiaries. We effectively control and operate our relevant business through the consolidated VIE using a series of contractual arrangements with the consolidated VIE and its shareholders. For a description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our VIE and Its Shareholders."

Transactions with Yi Zhang

In March 2019, in order to acquire the remaining ownership of Hangzhou Dayi, and convert it from a 51%-owned subsidiary to a wholly owned subsidiary of Hanyi E-Commerce, we entered into the following agreements with Yi Zhang, one of our top KOLs, and her affiliated entities: (i) an equity interest transfer agreement pursuant to which Hangzhou Wunai Yidui Trade Co., Ltd. agreed to transfer 49% equity interest in Hangzhou Dayi to Hanyi E-Commerce; and (ii) a share purchase agreement pursuant to which we agreed to issue 44,165,899 ordinary shares, which have been re-designated to Class A ordinary shares, to China Himalaya Investment Limited, a company wholly owned by Yi Zhang. These transactions were completed in the same month. In connection with these transactions, Yi Zhang also agreed to continue her exclusive cooperation with us in online sales of women apparel products until the later of five years after the completion of our initial public offering or when her beneficial interests in our company fall below 5%.

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal and Administrative Proceedings

On September 18, 2019, a putative class action was filed in the Supreme Court of the State of New York against us and certain of our officers and directors, among others. The complaint alleges that the registration statement on Form F-1 for our initial public offering contained false and misleading statements or omissions in violation of federal securities laws. We filed a motion to dismiss on November 20, 2019, which the court granted in part and denied in part on April 22, 2020. We have appealed such decision. In the meantime, the case is proceeding into fact discovery. On October 7, 2019 and October 31, 2019, a putative class actions making substantially similar allegations were filed in United States District Court Eastern District of New York against us and certain of our officers and directors. Such class actions were later consolidated and a lead plaintiff was appointed on January 1, 2020. We and the lead plaintiff filed a joint motion to stay the federal action pending resolution of the state action, which was granted by the court. It is premature at this stage of the litigation to evaluate the likelihood of a favorable or unfavorable outcome. We have retained counsel and will vigorously defend against the allegations.

Other than the above, we are currently not a party to any material legal or administrative proceedings. We may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

Dividend Policy

Since our inception, we have not declared or paid any dividends on our shares. We do not have any present plan to pay any dividends on our Class A ordinary shares or ADSs in the foreseeable future. We intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Any future determination to pay dividends will be made at the discretion of our board of directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our Class A ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Description of American Depositary Shares." Cash dividends on our Class A ordinary shares, if any, will be paid in U.S. dollars.

We are a holding company incorporated in the Cayman Islands. In order for us to distribute any dividends to our shareholders and ADS holders, we rely on dividends distributed by our subsidiaries in the PRC and other jurisdictions. Distributions from our subsidiaries to us may be subject to various local taxes, such as withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. See "Item. 3 Key Information — D. Risk Factors — Risks Relating to Doing Business in China — We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business."

B. Significant Changes

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

Item 9. The Offer and Listing

A. Offering and Listing Details

Our ADSs, each representing five of our Class A ordinary shares, have been listed on the Nasdaq Global Select Market since April 3, 2019 under the symbol "RUHN."

B. Plan of Distribution

Not Applicable.

C. Markets

Our ADSs, each representing five of our Class A ordinary shares, have been listed on the Nasdaq Global Select Market since April 3, 2019 under the symbol "RUHN." See Exhibit 2.4 to this Form 20-F for a description of our ADSs.

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 incorporate by reference into this annual report the description of our second amended and restated memorandum of association contained in our [F-1](#) registration statement (File No. 333-230082), as amended, initially filed with the Securities and Exchange Commission on March 06, 2019. Our shareholders adopted our second amended and restated memorandum and articles of association by unanimous resolutions passed on March 5, 2019, and effective immediately prior to the completion of our initial public offering of Class A ordinary shares represented by our ADSs.

C. Material Contracts

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

D. Exchange Controls

See “Item 4. Information on the Company — B. Business Overview — Regulation — Regulations Relating to Foreign Exchange.”

E. Taxation

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

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty or withholding tax applicable to us or to any holder of our ADSs and Class A ordinary shares. There are no other taxes likely to be material to us 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. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. The Cayman Islands is a party to a double tax arrangement entered with the United Kingdom in 2010 but is otherwise not party to any double tax treaties which are applicable to any payments made by the Company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People’s Republic of China Taxation

In March 2007, the National People’s Congress of China enacted the Enterprise Income Tax Law, which became effective on January 1, 2008 and was revised on February 24, 2017 and December 29, 2018. The Enterprise Income Tax Law provides that enterprises organized under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Implementing Rules of the Enterprise Income Tax Law further define the term “de facto management body” as the management body that exercises substantial and overall management and control over the business, personnel, accounts and properties of an enterprise. While we do not consider our company or any of our overseas subsidiaries to be a PRC resident enterprise, there is a risk that the PRC tax authorities may deem our company or any of our overseas subsidiaries as a PRC resident enterprise since a substantial majority of the members of our management team as well as the management team of some of our overseas subsidiaries are located in China, in which case we or the overseas subsidiaries, as the case may be, would be subject to the PRC enterprise income tax at the rate of 25% on worldwide income. If the PRC tax authorities determine that our Cayman Islands holding company is a “resident enterprise” for PRC enterprise income tax purposes, a 10% withholding tax would be imposed on 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 our ADSs or Class A ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders (including our ADS holders) and any gain realized on the transfer of ADSs or Class A ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% unless a reduced rate is available under an applicable tax treaty. Any PRC tax liability may be reduced by an applicable tax treaty. However, it is unclear whether, if we are considered a PRC resident enterprise, holders of our Class A ordinary shares or ADSs would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

Material United States Federal Income Tax Considerations

The following discussion describes the material United States federal income tax consequences of the purchase, ownership and disposition of our ADSs and Class A ordinary shares as of the date hereof. This discussion deals only with ADSs and Class A ordinary shares that are held as capital assets (generally, property held for investment) by a United States Holder (as defined below).

As used herein, the term “United States Holder” means a beneficial owner of our ADSs or Class A ordinary shares that is, for United States federal income tax purposes, any of the following:

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

This discussion is based upon provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and regulations, rulings and judicial decisions thereunder as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. In addition, this discussion is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

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

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;

- a person holding our ADSs or Class A ordinary shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our stock by vote or value;
- a partnership or other pass-through entity for United States federal income tax purposes;
- a person required to accelerate the recognition of any item of gross income with respect to our ADSs or Class A ordinary shares as a result of such income being recognized on an applicable financial statement; or
- a person whose “functional currency” is not the United States dollar.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds our ADSs or Class A ordinary shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our ADSs or Class A ordinary shares, you should consult your tax advisors.

This discussion does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net investment income or the effects of any state, local or non-United States tax laws. **If you are considering the purchase of our ADSs or Class A ordinary shares, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of our ADSs or Class A ordinary shares, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.**

ADSs

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

Taxation of Dividends

Subject to the discussion under “— Passive Foreign Investment Company” below, the gross amount of distributions on the ADSs or Class A ordinary shares (including any amounts withheld to reflect PRC withholding taxes, as discussed above under “Taxation— People’s Republic of China Taxation”) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital, causing a reduction in the tax basis of the ADSs or Class A ordinary shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain recognized on a sale or exchange. We do not, however, expect to determine earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend.

Any dividends that you receive (including any withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of Class A ordinary shares, or by the depositary, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

With respect to non-corporate United States investors, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our ADSs (which are listed on the Nasdaq Global Select Market) are readily tradable on an established securities market in the United States. Thus, we believe that dividends we pay on our ADSs will meet the conditions required for these reduced tax rates. Since we do not expect that our Class A ordinary shares will be listed on an established securities market in the United States, we do not believe that dividends that we pay on our Class A ordinary shares that are not represented by ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance, however, that our ADSs will be considered readily tradable on an established securities market in later years. A qualified foreign corporation also includes a foreign corporation that is eligible for the benefits of certain income tax treaties with the United States. In the event that we are deemed to be a PRC resident enterprise under the Enterprise Income Tax Law, we may be eligible for the benefits of the income tax treaty between the United States and PRC, or the Treaty, and if we are eligible for such benefits, dividends we pay on our Class A ordinary shares, regardless of whether such shares are represented by ADSs, would be eligible for reduced rates of taxation. See “— People’s Republic of China Taxation.” Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of these rules given your particular circumstances.

Non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a passive foreign investment company, or PFIC, in the taxable year in which such dividends are paid or in the preceding taxable year (see “— Passive Foreign Investment Company” below).

Subject to certain conditions and limitations (including a minimum holding period requirement), any PRC withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the ADSs or Class A ordinary shares will be treated as income from sources outside the United States and will generally constitute passive category income. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Distributions of ADSs, Class A ordinary shares or rights to subscribe for ADSs or Class A ordinary shares that are received as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax.

Passive Foreign Investment Company

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

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

For this purpose, passive income generally includes dividends, interest, income equivalent to interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). Cash is treated as an asset that produces or is held for the production of passive income. If we own at least 25% (by value) of the stock of another corporation, for purposes of determining whether we are a PFIC, we will be treated as owning our proportionate share of the other corporation’s assets and receiving our proportionate share of the other corporation’s income. However, there is uncertainty as to the treatment of our corporate structure and ownership of our VIE for United States federal income tax purposes. For United States federal income tax purposes, we consider ourselves to own the equity of our VIE. If it is determined, contrary to our view, that we do not own the equity of our VIE for United States federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), we may be treated as a PFIC.

Based on the composition of our income and assets, and the valuation of our assets, including goodwill (which we have determined based on the market value of our ADSs), we do not believe we were a PFIC for our most recent taxable year. However, because our PFIC status is an annual determination that can be made only after the end of each taxable year, it is possible that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. Furthermore, because we have valued our goodwill based on the market value of our ADSs (which may fluctuate significantly), a decrease in the market value of our ADSs may also result in our becoming a PFIC. If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares and you do not make a timely mark-to-market election, as described below, you will be subject to special tax rules with respect to any “excess distribution” received and any gain realized from a sale or other disposition, including a pledge, of ADSs or Class A ordinary shares. Distributions received in a taxable year will be treated as excess distributions to the extent that they are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the ADSs or Class A ordinary shares. Under these special tax rules:

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

Although the determination of whether we are a PFIC is made annually, if we are a PFIC for any taxable year in which you hold our ADSs or Class A ordinary shares, you will generally be subject to the special tax rules described above for that year and for each subsequent year in which you hold the ADSs or Class A ordinary shares (even if we do not qualify as a PFIC in such subsequent years). However, if we cease to be a PFIC, you can avoid the continuing impact of the PFIC rules by making a special election to recognize gain as if your ADSs or Class A ordinary shares had been sold on the last day of the last taxable year during which we were a PFIC. You are urged to consult your own tax advisor about this election.

In lieu of being subject to the special tax rules discussed above, you may make a mark-to-market election with respect to your ADSs or Class A ordinary shares provided such ADSs or Class A ordinary shares are treated as “marketable stock.” The ADSs or Class A ordinary shares generally will be treated as marketable stock if the ADSs or Class A ordinary shares are regularly traded on a “qualified exchange or other market” (within the meaning of the applicable Treasury regulations). Under current law, the mark-to-market election may be available to holders of ADSs because the ADSs are listed on the Nasdaq Global Select Market which constitutes a qualified exchange, although there can be no assurance that the ADSs will be “regularly traded” for purposes of the mark-to-market election. It is intended that only the ADSs and not Class A ordinary shares will be listed on the Nasdaq Global Select Market. Consequently, if you are a holder of Class A ordinary shares that are not represented by ADSs, you generally will not be eligible to make a mark-to-market election.

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

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

Alternatively, U.S. taxpayers can sometimes avoid the special tax rules described above by electing to treat a PFIC as a “qualified electing fund” under Section 1295 of the Code. However, this option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election.

If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares and any of our non-United States subsidiaries is also a PFIC, you will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of the PFIC rules. You will not be able to make the mark-to-market election described above in respect of any lower-tier PFIC. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

You will generally be required to file Internal Revenue Service Form 8621 if you hold our ADSs or Class A ordinary shares in any year in which we are a PFIC. You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding ADSs or Class A ordinary shares if we are a PFIC in any taxable year.

Taxation of Capital Gains

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange of the ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized for the ADSs or Class A ordinary shares and your tax basis in the ADSs or Class A ordinary shares. Subject to the discussion under “— Passive Foreign Investment Company” above, such gain or loss will generally be capital gain or loss and will generally be long-term capital gain or loss if you have held the ADSs or Class A ordinary shares for more than one year. Long-term capital gains of non-corporate United States Holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss. However, if we are treated as a PRC resident enterprise for PRC tax purposes and PRC tax were imposed on any gain, and if you are eligible for the benefits of the Treaty, you may elect to treat such gain as PRC source gain under the Treaty. If you are not eligible for the benefits of the Treaty or if you fail to make the election to treat any gain as PRC source, then you generally would not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of ADSs or Class A ordinary shares unless such credit can be applied (subject to applicable limitations) against tax due on other income derived from foreign sources.

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends in respect of our ADSs or Class A ordinary shares and the proceeds from the sale, exchange or other disposition of our ADSs or Class A ordinary shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of exempt status or fail to report in full dividend and interest income.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

We have filed this annual report on Form 20-F, including exhibits, with the SEC. As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we filed 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.

You may read and copy this annual report, including the exhibits incorporated by reference in this annual report, at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC’s regional offices in New York, New York and Chicago, Illinois. You also can request copies of this annual report, including the exhibits incorporated by reference in this annual report, upon payment of a duplicating fee, by writing information on the operation of the SEC’s Public Reference Room.

The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC. Our annual report and some of the other information submitted by us to the SEC may be accessed through this web site.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP.

We will furnish our shareholders with annual reports, which will include a review of operations and annual audited combined and consolidated financial statements prepared in conformity with U.S. GAAP.

I. Subsidiary Information

Not Applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Foreign Exchange Risk

All of our revenue and substantially all of our expenses are denominated in Renminbi. The functional currency of our company is the U.S. dollar. The functional currency of our subsidiary in the PRC and Hong Kong, the VIE and the VIE's subsidiaries is the Renminbi. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the statements of comprehensive loss. Due to foreign currency translation adjustments, we had a foreign exchange loss of RMB0.2 million for fiscal year 2018, and a foreign exchange gain of RMB0 million and RMB3.4 million (US\$0.5 million) for fiscal years 2019 and 2020, respectively.

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 in general our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and RMB because the value of our business is effectively denominated in Renminbi, while our ADSs will be traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, the exchange rate between the Renminbi and the U.S. dollar had been stable and traded within a narrow band. 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 the Renminbi against the U.S. dollar would have an adverse effect on 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 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 amounts available to us.

Interest Rate Risk

We have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, we cannot provide assurance that we will not be exposed to material risks due to changes in market interest rate in the future.

Inflation

Since inception, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for the years ended December 31, 2017, 2018 and 2019 were increases of 1.6%, 2.1% and 2.9%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

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

Citibank, N.A. acts as the depositary bank for the American Depositary Shares. Citibank's depositary offices are located at 388 Greenwich Street, New York, New York 10013. The depositary bank typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Citibank, N.A.—Hong Kong, located at 9/F., Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

Our ADSs, each representing five of our Class A ordinary shares, have been listed on the Nasdaq Global Select Market since April 3, 2019 under the symbol "RUHN." See Exhibit 2.4 to this Form 20-F for a description of the rights of holders of the ADRs.

Depositary Fees and Charges

Under the terms of the deposit agreement for our ADSs, an ADS holder will be required to pay the following service fees to the depositary and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of ADSs):

Service	Fees
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)	Up to U.S. 5¢ per ADS issued
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)	Up to U.S. 5¢ per ADS canceled
Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to U.S. 5¢ per ADS held
Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs	Up to U.S. 5¢ per ADS held
Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)	Up to U.S. 5¢ per ADS held
ADS Services	Up to U.S. 5¢ per ADS held on the applicable record date(s) established by the depositary bank
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)	Up to U.S. 5¢ per ADS (or fraction thereof) transferred
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)	Up to U.S. 5¢ per ADS (or fraction thereof) converted

As an ADS holder you will also be responsible to pay 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 or any nominees upon the making of deposits and withdrawals, respectively;
- certain cable, telex and facsimile transmission and delivery expenses;
- the expenses and charges incurred by the depositary in the conversion of foreign currency;
- the fees and expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Class A ordinary shares, ADSs and ADRs; and
- the fees, charges, costs and expenses incurred by the depositary, the custodian, or any nominee in connection with the ADR program.

ADS fees and charges for (i) the issuance of ADSs, and (ii) the cancellation of ADSs are charged to the person for whom the ADSs are issued (in the case of ADS issuances) and to the person for whom ADSs are cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depositary into DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participants as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS Holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the Holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder. Certain depositary fees and charges (such as the ADS services fee) may become payable shortly after the closing of the ADS offering. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes. The depositary may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary agree from time to time.

Payments by Depositary

As of March 31, 2020, we received approximately US\$1.8 million from Citibank, N.A., the depositary bank for our ADR program.

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File No. 333230082) in relation to our initial public offering. In April 2019, we completed our initial public offering in which we issued and sold an aggregate of 10,000,000 ADSs, representing 50,000,000 Class A ordinary shares, and we received proceeds of approximately US\$116.3 million. Citigroup Global Markets Inc. and UBS Securities LLC were the representatives of the underwriters for our initial public offering.

The F-1 Registration Statement was declared effective by the SEC on April 2, 2019. The total expenses incurred for our company’s account in connection with our initial public offering was approximately US\$14.4 million, which included US\$8.8 million in underwriting discounts and commissions for the initial public offering and approximately US\$5.6 million in other costs and expenses. 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 we received 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 effective date of the F-1 Registration Statement to March 31, 2020, approximately RMB80.0 million (US\$11.3 million) of the net proceeds from our initial public offering has been used for strategic investment in our industry and identifying and cultivating KOLs. We still intend to use the remainder of the proceeds from our initial public offering, as disclosed in our registration statements on Form F-1, for (i) identifying additional monetization channels and pursuing strategic investments in our industry, (ii) identifying and cultivating KOLs, (iii) investing in technology, AI solutions and big data analytics, and (iv) general corporate purposes.

Item 15. Controls and Procedures**Disclosure Controls and Procedures**

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this annual report, an evaluation has been carried out under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rules 13a-15e and 15d-15(e) promulgated under the Exchange Act.

Based on that evaluation, our management has concluded that, as of March 31, 2020, our existing disclosure controls and procedures were ineffective due to the material weakness in internal control over financial reporting identified in “—Management’s Annual Report on Internal Control over Financial Reporting” below.

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) and 15d-15(f) under the Exchange Act. As required by Rule 13a-15(c) of the Exchange Act, our management conducted an evaluation of our company’s internal control over financial reporting as of March 31, 2020 based on 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 concluded that as of March 31, 2020, our internal control over financial reporting was ineffective due to the material weakness identified below.

In accordance with 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 weaknesses identified related to (i) a lack of formal documentation of accounting policies and procedures relating to financial reporting in accordance with U.S. GAAP, and (ii) lack of formal risk assessment process over financial reporting and internal control framework.

To remedy our identified material weakness, we have undertaken and will continue to undertake steps to strengthen our internal control over financial reporting, including establishing a group-wide risk assessment process which identifies risks arising from both internal and external events and developing an overall internal control framework and maintain related documents for group level as well as each major business line. In addition, we will continue to formulate internal accounting and internal control guidance on U.S. GAAP and SEC financial reporting requirements. However, such measures have not been fully implemented and we concluded that the material weakness and deficiencies in our internal control over financial reporting have not been remediated as of March 31, 2020.

Since we qualified as an “emerging growth company” as defined under the JOBS Act as of March 31, 2020, this annual report on Form 20-F does not include an attestation report of our independent registered public accounting firm.

Changes in Internal Control over Financial Reporting

Other than as described above, there were no 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 16A. Audit Committee Financial Expert

Our board of directors has determined that Cecilia Xiaocao Xu, who is an independent director, qualifies as an audit committee financial expert as defined in Item 16A of the instruction to Form 20-F.

Item 16B. Code of Ethics

We have adopted a code of ethics, which is applicable to all of our directors, executive officers and employees. We have made our code of ethics publicly available on our website at www.ruhnn.com, and we hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person’s written request.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu Certified Public Accountants LLP, our independent public accountant for the years indicated. We did not pay any other fees to our auditors during the periods indicated below.

	Year Ended March 31,	
	2019	2020
	(Amounts in thousands of RMB)	
Audit Fees(1)	5,323	7,000
Audit-Related Fees	-	-
Tax Fees(2)	-	211
All Other Fees	-	-
Total	<u>5,323</u>	<u>7,211</u>

- (1) Audit fees include the aggregate fees for each of the fiscal period listed for professional services rendered by our independent public accountant for the audit of our annual financial statements, review of our quarterly financial statements.
- (2) This category includes the aggregate fees for professional services rendered by our independent registered public accounting firm for tax compliance, tax advice, and tax planning.

The policy of our audit committee or our board of directors 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.

Item 16D. Exemptions from the Listing Standards for Audit Committees

None.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We announced a share repurchase program approved by our board of directors on June 2, 2020, under which we may repurchase up to US\$15.0 million worth of our outstanding ADSs from time to time for a period not to exceed twelve months from the date hereof. We expect to fund the repurchases made under this program from our existing cash balance. The repurchases may be made in the open market at prevailing market prices or through privately negotiated transactions, including block trades. The purchases will be made subject to restrictions relating to volume, price and timing. The timing and extent of any repurchases will depend on market conditions, the trading price of our ADSs, regulatory requirements and other factors. The plan will be implemented in compliance with relevant United States securities rules and regulations and our securities trading policy, in a manner that is consistent with the interests of shareholders. The board of directors will review the share repurchase program periodically and may authorize adjustment of its terms and size accordingly. We have made repurchases of an aggregate of 0.8 million ADSs, at an average price paid per share of US\$3.46, with US\$2.9 million in total, up to August 7, 2020.

Item 16F. Change in Registrant's Certifying Accountant

Not Applicable.

Item 16G. Corporate Governance

Nasdaq Stock Market Rule 5615(a)(3) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. We have elected to follow our home country practice (under Cayman Islands law) in lieu of the requirements of Nasdaq Stock Market Rule 5605(b), (c), (d) and (e), which require:

- A majority of the members of a company's board of directors must qualify as independent directors, as defined under Nasdaq Stock Market Rule 5605(a)(2), and the independent directors must have regularly scheduled meetings at which only independent directors are present. However, under Cayman Islands law, our board of directors need not to include a majority of independent directors, nor do independent directors need to meet separately on a regular basis.
- A company must have an audit committee composed of at least three members, each of whom is an independent director in accordance with Nasdaq Stock Market Rule 5605(c)(2)(A). However, under Cayman Islands law, our audit committee is not required to consist of three independent directors. Before we appointed the third independent director, Tina Ying Shi, on August 14, 2020, our audit committee consisted of only two independent directors.
- A company must have a compensation committee composed of at least two members and each committee member must be an independent director in accordance with Nasdaq Stock Market Rule 5605(d)(2)(A). However, under Cayman Islands law, our compensation committee is not required to consist entirely of independent directors, and it currently consists of three committee members, two of which are independent directors.
- Director nominees must be selected or recommended for the board of directors' selection, either by (A) a majority of independent directors or (B) a nominations committee comprised solely of independent directors in accordance with Nasdaq Stock Market Rule 5605(e)(1). However, under Cayman Islands law, our nominations committee is not required to consist entirely of independent directors, and it currently consists of three committee members, two of which are independent directors.

We have also elected to follow our home country practice in lieu of the requirements set forth in Nasdaq Stock Market Rule 5635, which require a domestic United States company to obtain shareholder approval for certain dilutive events, such as:

- Certain acquisition of stock or assets of another company;
- An issuance that will result in a change of control of the company;
- The establishment or amendment of certain equity based compensation plans and arrangements; and
- Certain transactions (other than a public offering) involving issuances of a 20% or more interest or voting power in the company at a price that is less than the minimum price defined therein.

We have submitted to the Nasdaq Stock Market a written statement from our independent Cayman Islands counsel that certified that our not complying with the requirements of Nasdaq Stock Market Rule 5605(b), (c), (d) and (e) and not obtaining shareholder approvals required under Nasdaq Stock Market Rule 5635 are not prohibited by Cayman Islands law.

Item 16H. Mine Safety Disclosure

Not Applicable.

Item 17. Financial Statements

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

Item 18. Financial Statements

The consolidated financial statements of Ruhnn Holding Limited, its subsidiaries and its variable interest entities are included at the end of this annual report.

Item 19. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
1.1	Form of Second Amended and Restated Memorandum and Articles of Association of the Registrant.	F-1	333-230082	3.2	March 6, 2019	
2.1	Form of American Depositary Receipt evidencing American Depositary Shares.	F-6	333-230483	(a)	March 25, 2019	
2.2	Specimen of Ordinary Share Certificate.	F-1	333-230082	4.1	March 6, 2019	
2.3	Form of Deposit Agreement between the Registrant and Citibank, N.A., as depositary.	F-6	333-230483	(a)	March 25, 2019	
2.4	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.					X
4.1	Exclusive Business Cooperation Agreement by and between Yihan Technology and Hanyi E-Commerce, dated October 4, 2018 (English Translation).	F-1	333-230082	10.1	March 6, 2019	
4.2	Equity Interest Pledge Agreement between Yihan Technology, Hangzhou Xinghui and Hanyi E-Commerce, dated October 4, 2018 (English Translation).	F-1	333-230082	10.2	March 6, 2019	
4.3	Exclusive Call Option Agreement among Yihan Technology, Hangzhou Xinghui and Hanyi E-Commerce, dated October 4, 2018 (English Translation).	F-1	333-230082	10.3	March 6, 2019	
4.4	Power of Attorney granted by the shareholders of Hanyi E-Commerce, dated October 4, 2018 (English Translation).	F-1	333-230082	10.4	March 6, 2019	
4.5	Spousal Consent granted by the spouse of Min Feng, dated October 4, 2018 (English Translation).	F-1	333-230082	10.5	March 6, 2019	
4.6	Form of Indemnification Agreement between the Registrant and its directors and executive officers.	F-1	333-230082	10.6	March 6, 2019	
4.7	Form of Employment Agreement between the Registrant and its executive officers.	F-1	333-230082	10.7	March 6, 2019	
4.8	Cooperative Agreement between Hangzhou Hanyi E-Commerce Co., Ltd., Hangzhou Wunai Yidui Trading Co., Ltd. and Yi Zhang dated April 30, 2016 (English translation).	F-1	333-230082	10.8	March 6, 2019	
4.9	2019 Equity Incentive Plan.	F-1	333-230082	10.9	March 6, 2019	
4.10	Share Purchase Agreement between China Himalaya Investment Limited and the Registrant, dated March 5, 2019.	F-1	333-230082	10.10	March 6, 2019	
4.11	Equity Interest Transfer Agreement among Hangzhou Wunai Yidui Trade Co., Ltd., Hanyi E-Commerce and Yi Zhang, dated March 5, 2019 (English translation).	F-1	333-230082	10.11	March 6, 2019	
8.1	List of Subsidiaries.					X
11.1	Code of Business Conduct and Ethics of the Registrant.	F-1	333-230082	99.1	March 6, 2019	
12.1	Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
12.2	Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
13.1	Certification by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
13.2	Certification by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
15.1	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

SIGNATURES

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

Ruhnn Holding Limited

By: /s/ Min Feng
Name: Min Feng
Title: Chairman

Date: August 14, 2020

RUHNN HOLDING LIMITED
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To the shareholders and the Board of Directors of Ruhnn Holding Limited

Opinion on the Financial Statements

We have audited the accompanying combined and consolidated balance sheets of Ruhnn Holding Limited, its subsidiaries, its consolidated variable interest entity (the "VIE") and VIE's subsidiaries (the "Company") as of March 31, 2020 and 2019, the related combined and consolidated statements of comprehensive loss, changes in shareholders' deficit and cash flows for each of the three years in the period ended March 31, 2020, and the related notes and the related financial schedule included in Schedule I (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2020 and 2019, and the results of its operations and their cash flows for each of the three years in the period ended March 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Convenience Translation

Our audits also comprehended the translation of Renminbi amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2(e) to the financial statements. Such United States dollar amounts are presented solely for the convenience of readers in the United States of America.

Basis for Opinion

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

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

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

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, the People's Republic of China

August 14, 2020

We have served as the Company's auditor since 2018.

RUHNN HOLDING LIMITED
COMBINED AND CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except for share and per share data)

	March 31, 2019	March 31, 2020	
	RMB	RMB	US\$ (Note 2)
ASSETS:			
Current Assets:			
Cash and cash equivalents	89,960	718,478	101,468
Restricted cash	13,861	5,673	801
Short-term investments	-	76,450	10,797
Accounts receivable, net of allowance for doubtful accounts of RMB460 and RMB3,273 as of March 31, 2019 and 2020, respectively	29,372	60,370	8,526
Inventories	220,151	145,553	20,556
Advances to suppliers	42,145	32,628	4,608
Prepaid expenses and other current assets	32,969	37,312	5,269
Total current assets	428,458	1,076,464	152,025
Property and equipment, net	146,071	183,404	25,902
Intangible assets, net	104,457	82,567	11,661
Goodwill	1,002	1,002	142
Long-term investments	7,600	87,636	12,377
Other non-current assets	1,702	2,978	421
TOTAL ASSETS	689,290	1,434,051	202,528
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY (including liabilities amounts of the consolidated VIE without recourse to the Company of RMB778,166 and RMB237,512 as of March 31, 2019 and 2020, respectively) (Note 2(b))			
Current liabilities:			
Accounts payable	78,061	104,822	14,804
Notes payable	30,645	10,698	1,511
Accrued salary and benefits	58,917	68,601	9,688
Accrued expenses and other current liabilities	24,039	30,042	4,243
Amounts due to related parties	574,859	18,097	2,556
Dividend payable	115	-	-
Income tax payable	1,674	1,662	235
Total current liabilities	768,310	233,922	33,037
Deferred income	-	10,033	1,417
Other non-current liabilities	12,826	12,334	1,742
Total liabilities	781,136	256,289	36,196
Commitments and contingencies (Note 17)			
Shareholders' (deficit) equity:			
Ordinary shares (US\$0.000000001 par value; 1,000,000,000 shares authorized, 363,572,659 shares issued and outstanding as of March 31, 2019)	-	-	-
Class A ordinary shares (US\$0.000000001 par value; 822,665,750 shares authorized, 246,122,394 shares issued and outstanding as of March 31, 2020)	-	-	-
Class B ordinary shares (US\$0.000000001 par value; 177,334,250 shares authorized, 174,834,250 shares issued and outstanding as of March 31, 2020)	-	-	-
Additional paid-in capital	701,041	1,504,848	212,525
Subscription receivable	(558,996)	-	-
Accumulated deficit	(232,635)	(325,126)	(45,916)
Accumulated other comprehensive income	-	4,598	649
Total Ruhnn Holding Limited shareholders' (deficit) equity	(90,590)	1,184,320	167,258
Non-controlling interest	(1,256)	(6,558)	(926)
Total shareholders' (deficit) equity	(91,846)	1,177,762	166,332
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY	689,290	1,434,051	202,528

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

RUHNN HOLDING LIMITED
COMBINED AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Amounts in thousands, except for share and per share data)

	Year Ended March 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$ (Note 2)
Net revenue:				
Product sales	912,512	942,781	992,603	140,182
Services	35,068	150,657	303,247	42,827
Total net revenue	<u>947,580</u>	<u>1,093,438</u>	<u>1,295,850</u>	<u>183,009</u>
Cost of revenue:				
Cost of product sales	625,263	683,057	675,494	95,398
Cost of services	18,122	68,336	130,647	18,451
Total cost of revenue	<u>643,385</u>	<u>751,393</u>	<u>806,141</u>	<u>113,849</u>
Gross profit	<u>304,195</u>	<u>342,045</u>	<u>489,709</u>	<u>69,160</u>
Operating expenses:				
Fulfillment	100,071	126,850	134,852	19,045
Sales and marketing	146,207	205,660	305,157	43,096
General and administrative	130,977	92,004	167,786	23,696
Other operating income, net	(709)	(927)	(627)	(89)
Total operating expenses	<u>376,546</u>	<u>423,587</u>	<u>607,168</u>	<u>85,748</u>
Loss from operations	<u>(72,351)</u>	<u>(81,542)</u>	<u>(117,459)</u>	<u>(16,588)</u>
Other income (loss):				
Interest income	88	595	21,912	3,095
Interest expense	—	(107)	(58)	(8)
Other income, net	—	7,600	3,145	444
Foreign exchange (loss) gain	(241)	34	3,391	479
Loss before income taxes	<u>(72,504)</u>	<u>(73,420)</u>	<u>(89,069)</u>	<u>(12,578)</u>
Income tax expense	15,843	10,413	8,724	1,232
Share of loss in equity method investments	1,607	1,090	-	-
Net loss	<u>(89,954)</u>	<u>(84,923)</u>	<u>(97,793)</u>	<u>(13,810)</u>
Less: net income (loss) attributable to non-controlling interest	14,051	(11,677)	(5,302)	(749)
Net loss attributable to ruhnn	<u>(104,005)</u>	<u>(73,246)</u>	<u>(92,491)</u>	<u>(13,061)</u>
Net loss per ordinary share:				
Basic and diluted	(0.33)	(0.23)	(0.22)	(0.03)
Net loss per ADS (each ADS represents five ordinary shares):				
Basic and diluted	(1.63)	(1.14)	(1.11)	(0.16)
Weighted average shares used in calculating net loss per ordinary share:				
Basic and diluted	319,406,760	321,584,804	415,523,933	415,523,933
Net loss	<u>(89,954)</u>	<u>(84,923)</u>	<u>(97,793)</u>	<u>(13,810)</u>
Other comprehensive income:				
Foreign currency translation adjustment	-	-	4,598	649
Comprehensive loss	<u>(89,954)</u>	<u>(84,923)</u>	<u>(93,195)</u>	<u>(13,161)</u>

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

RUHNN HOLDING LIMITED
COMBINED AND CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT) EQUITY
(Amounts in thousands, except for share and per share data)

	Ordinary shares		Class A Ordinary shares		Class B Ordinary shares		Additional paid-in capital	Subscription receivable	Accumulated deficit	Accumulated other comprehensive income	Total ruhnn shareholders' (deficit) equity	Non-controlling interest	Total shareholders' (deficit) equity
	Shares	RMB	Shares	RMB	Shares	RMB							
Balance at April 1, 2017	-	-	-	-	-	-	10,000	-	(55,384)	-	(45,384)	2,166	(43,218)
Net (loss) income	-	-	-	-	-	-	-	-	(104,005)	-	(104,005)	14,051	(89,954)
Capital contribution from non-controlling interest holders	-	-	-	-	-	-	-	-	-	-	-	490	490
Acquisition of non-controlling interest of subsidiaries	-	-	-	-	-	-	(3,113)	-	-	-	(3,113)	1,770	(1,343)
Balance at March 31, 2018	-	-	-	-	-	-	6,887	-	(159,389)	-	(152,502)	18,477	(134,025)
Issuance of ordinary shares in connection with Equity Restructuring	319,406,760	-	-	-	-	-	558,996	(558,996)	-	-	-	-	-
Capital contribution from Hangzhou Ruhnn	-	-	-	-	-	-	50,233	-	-	-	50,233	-	50,233
Net loss	-	-	-	-	-	-	-	-	(73,246)	-	(73,246)	(11,677)	(84,923)
Dividend paid to non-controlling interest holders	-	-	-	-	-	-	-	-	-	-	-	(17,150)	(17,150)
Acquisition of non-controlling interest of a subsidiary	44,165,899	-	-	-	-	-	93,416	-	-	-	93,416	9,094	102,510
Transaction costs incurred in connection with capital investment by an institution investor received prior to the Equity Restructuring	-	-	-	-	-	-	(8,491)	-	-	-	(8,491)	-	(8,491)
Balance at March 31, 2019	363,572,659	-	-	-	-	-	701,041	(558,996)	(232,635)	-	(90,590)	(1,256)	(91,846)
Re-designation of ordinary shares into Class A and Class B ordinary shares immediately prior to the completion of the initial public offering	(363,572,659)	-	186,238,409	-	177,334,250	-	-	-	-	-	-	-	-
Conversion of Class B ordinary shares into Class A ordinary shares	-	-	2,500,000	-	(2,500,000)	-	-	-	-	-	-	-	-
Issuance of shares upon initial public offering, net of issuance costs of RMB33,272	-	-	50,000,000	-	-	-	747,940	-	-	-	747,940	-	747,940
Subscription receivable	-	-	-	-	-	-	-	558,996	-	-	558,996	-	558,996
Net loss	-	-	-	-	-	-	-	-	(92,491)	-	(92,491)	(5,302)	(97,793)
Exercise of share options	-	-	7,383,985	-	-	-	516	-	-	-	516	-	516
Share-based compensation	-	-	-	-	-	-	55,351	-	-	-	55,351	-	55,351
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	4,598	4,598	-	4,598
Balance at March 31, 2020	-	-	246,122,394	-	174,834,250	-	1,504,848	-	(325,126)	4,598	1,184,320	(6,558)	1,177,762

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

RUHNN HOLDING LIMITED
COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands, except for share and per share data)

	Year Ended March 31,			
	2018 RMB	2019 RMB	2020 RMB	US\$ (Note 2)
Cash flows from operating activities:				
Net loss	(89,954)	(84,923)	(97,793)	(13,810)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Depreciation and amortization expense	2,285	6,486	31,303	4,421
Share-based compensation	-	-	55,351	7,817
Provision for (reversal of) allowance for doubtful accounts	26,792	(3,295)	5,702	805
Inventory write-down	42,058	40,587	66,621	9,409
Loss on disposal of property and equipment	-	419	11	1
Share of loss in equity method investments	1,607	1,090	-	-
Gain on deemed sale or disposal of equity investment	-	(7,600)	-	-
Gain on disposal of a subsidiary	-	-	(699)	(100)
Interest expense of capital lease	-	-	695	98
Changes in assets and liabilities:				
Accounts receivable	(6,303)	(23,299)	(33,811)	(4,775)
Amounts due from related parties	4,354	295	-	-
Inventories	(127,863)	59,645	114	16
Advances to suppliers	(10,034)	(14,637)	(256)	(36)
Prepaid expenses and other current assets	1,034	(2,841)	(4,531)	(640)
Other non-current assets	635	(865)	(1,276)	(180)
Accounts payable	4,192	4,549	32,947	4,653
Notes payable	47,106	(16,461)	(23,947)	(3,382)
Amount due to related parties	43,988	10,134	3,148	445
Accrued salary and benefits	18,166	17,481	10,186	1,439
Accrued expenses and other current liabilities	6,591	9,227	(4,234)	(598)
Deferred income	-	-	10,033	1,417
Income tax payable	5,921	(5,277)	502	71
Other non-current liabilities	1,850	(100)	500	71
Net cash (used in) provided by operating activities	(27,575)	(9,385)	50,566	7,142
Cash flows from investing activities:				
Purchases of short-term investments	-	-	(141,450)	(19,977)
Maturity of short-term investments	-	-	65,000	9,180
Purchases of long-term equity investments	(190)	-	(80,036)	(11,303)
Purchases of property and equipment	(1,808)	(6,820)	(39,170)	(5,532)
Purchases of intangible assets	-	-	(215)	(30)
Proceeds from disposal of property and equipment	-	118	-	-
Proceeds from disposal of a subsidiary	-	-	1,020	144
Cash received in business acquisition, net of cash paid	49	-	-	-
Repayment to related party for purchase of property and equipment	-	-	(125,398)	(17,710)
Net cash used in investing activities	(1,949)	(6,702)	(320,249)	(45,228)

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

RUHNN HOLDING LIMITED
COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Amounts in thousands, except for share and per share data)

	Year Ended March 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$ (Note 2)
Cash flows from financing activities:				
Capital contribution from non-controlling interest holders	490	-	-	-
Cash paid for acquisition of non-controlling interest	(1,344)	-	-	-
Transaction cost in relation to capital contribution	-	(8,491)	-	-
Payment of subscription receivable for ordinary shares	-	-	558,996	78,945
Payment of initial public offering costs	-	-	(19,221)	(2,715)
Proceeds from issuance of ordinary shares upon public offering	-	-	781,212	110,328
Proceeds from exercise of share options	-	-	475	67
Proceed from short-term borrowing	-	20,000	59,000	8,332
Repayment of short-term borrowing	-	(20,000)	(59,000)	(8,332)
Payment of note payable assumed in the acquisition	(5,070)	-	-	-
Repayment of related party loans	-	-	(434,513)	(61,365)
Payment of capital lease	-	-	(1,359)	(192)
Dividend paid to non-controlling interest holder	-	(17,035)	(115)	(16)
Advances from related party	45,000	114,513	-	-
Net cash provided by financing activities	39,076	88,987	885,475	125,052
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	-	-	4,538	641
Net increase in cash, cash equivalents and restricted cash	9,552	72,900	620,330	87,607
Cash, cash equivalents and restricted cash at beginning of year	21,369	30,921	103,821	14,662
Cash, cash equivalents and restricted cash at end of year	30,921	103,821	724,151	102,269
Reconciliation in amounts on combined and consolidated balance sheets:				
Cash and cash equivalents	9,713	89,960	718,478	101,468
Restricted cash	21,208	13,861	5,673	801
Total cash, cash equivalents and restricted cash	30,921	103,821	724,151	102,269
Supplemental disclosure information:				
Income tax paid	9,922	15,690	7,557	1,067
Interest expense paid	-	107	58	8
Supplemental disclosure of non-cash investing and financing activities:				
Liabilities assumed in the acquisition (Note 3)	5,093	-	-	-
Acquisition of exclusive cooperation rights via issuance of ordinary shares (Note 9)	-	103,000	-	-
Acquisition of non-controlling interest via issuance of ordinary shares (Note 15)	-	656,000	-	-
Capital contribution from Hangzhou Ruhnn in connection with the forgiveness of related party payable	-	50,233	-	-
Capital lease obligation incurred in connection with leased equipment	-	12,011	-	-
Purchases of property and equipment included in payables	-	125,398	7,870	1,111
Initial public offering costs included in payables	-	-	3,549	501
Dividend payable to non-controlling interest holder	-	115	-	-

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

RUHNN HOLDING LIMITED
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except for share and per share data)

1. Organization and principal activities

Ruhnn Holding Limited (“ruhnn”) was incorporated in the Cayman Islands on May 11, 2018. ruhnn, its subsidiaries, its consolidated variable interest entity (“VIE”) and subsidiaries of the VIE (“collectively referred to as the “Company”) principally operate key opinion leader (“KOL”) cultivation and incubation platforms and generates revenue mainly through online sales of consumer products to followers of the KOLs and service provision of various KOL sales and advertising services to third-party merchants and brands through their various social media spaces. KOLs are individuals who have the power to engage and impact people within a specific community or field, such as fashion, culture, entertainment, gaming, etc. and have the ability to impact the purchasing decision of its followers.

The Company’s significant subsidiaries, VIE and subsidiaries of the VIE are as follows:

	<u>Date of establishment</u>	<u>Place of incorporation/ establishment</u>	<u>Percentage of legal/beneficial ownership</u>
Significant subsidiary:			
Hangzhou Yihan Information Technology Co., Ltd. (“Yihan Technology”)	September 17, 2018	PRC	100%
VIE			
Hangzhou Hanyi E-commerce Co. Ltd. (“Hanyi E-Commerce”)	March 24, 2016	PRC	100%
Significant subsidiaries of VIE			
Hangzhou Ruhan Supply Chain Management Co. Ltd.	April 25, 2016	PRC	100%
Hangzhou Dayi E-commerce Co. Ltd. (“Hangzhou Dayi”)	April 27, 2016	PRC	100%
Shanghai Ruhnn E-commerce Co., Ltd. (“Shanghai Ruhnn”)*	August 1, 2016	PRC	100%
Ruhnn Culture Communication Co., Ltd. (“Ruhnn Culture”)	April 25, 2016	PRC	100%
Hangzhou Sijiu E-commerce Co., Ltd.	April 27, 2016	PRC	100%
Hangzhou Xinhan Supply Chain Management Co., Ltd. (“Xinhan”)	November 23, 2018	PRC	65%
Haining Yishang Apparel Co., Ltd. (“Yishang”)	September 12, 2018	PRC	100%
Hangzhou Ruhnn E-commerce Co. Ltd.	December 27, 2018	PRC	100%

* Shanghai Ruhnn is renamed from Shanghai Yitong E-commerce Co., Ltd on August 23, 2019.

History of the Company and Equity Restructuring

The Company’s history began in March 2016 with the commencement of operations in Hangzhou Hanyi E-Commerce Co., Ltd. (“Hanyi E-Commerce”), and its subsidiaries. Hanyi E-Commerce was established by Hangzhou Ruhnn Holdings Co., Ltd. (“Hangzhou Ruhnn”) which was owned by three individuals (“Founding Shareholders”) and several institutional investors.

Starting May 2018, the Founding Shareholders and all of the institutional investors undertook a series of equity transitions to re-domicile the Company’s business from the People’s Republic of China (“PRC”) to the Cayman Islands (“Equity Restructuring”). The main purpose of the Equity Restructuring was to establish a Cayman holding company for its existing business in the PRC for the preparation of its overseas initial public offering (“IPO”). The Equity Restructuring was executed in the following steps:

1. On May 11, 2018, Ruhnn Holding Limited was incorporated in the Cayman Islands as the listing vehicle for the Company’s IPO. As of the incorporation date, the total authorized share capital was 100 ordinary shares with a par value of US\$0.01 and the total number of issued and outstanding shares was 100.
2. On October 4, 2018, the Founding Shareholders and the institutional investors subscribed for 319,406,660 shares of ruhnn for a subscription amount of RMB558,996. Upon the issuance of ordinary shares, the equity structure of ruhnn was substantially identical to that of Hangzhou Ruhnn.

3. As part of the Equity Restructuring, in order to facilitate the payments of the subscription receivable of RMB558,996 to ruhnn as noted in step 2, Hangzhou Ruhnn agreed to return its capital to the institutional investors in the amount of their original investments in Hangzhou Ruhnn while these investors agreed to pay U.S. dollar equivalent of such amounts to ruhnn as subscription price for the ordinary shares issued to them. As of March 31, 2019, Hanyi E-commerce had amounts due to Hangzhou Ruhnn of RMB559,869. Hanyi E-Commerce subsequently fully repaid in installments these amounts due to Hangzhou Ruhnn, Hangzhou Ruhnn used these funds to return its capital to the investors and the investors consequently paid the subscription price of shares of RMB558,996 to ruhnn in full. The whole restructuring process was completed in July 2019, within three months after the IPO, in accordance to the restructuring agreements.

4. On October 4, 2018, Hangzhou Ruhnn transferred 1% of its equity interest in Hanyi E-Commerce to one of the Founding Shareholders and the remaining 99% equity interest to Hangzhou Xinghui Corporate Management Consulting Co., Ltd., an entity that was wholly owned by the same Founding Shareholder for the purposes of creating new nominee shareholders for the VIE arrangements. ruhnn is deemed a foreign legal person under PRC law and accordingly subsidiaries owned by ruhnn are not eligible to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. Due to these restrictions, ruhnn through its wholly owned subsidiary in the PRC, Hangzhou Yihan Information Technology Co., Ltd. (“Yihan Technology”), the WFOE, entered into a series of contractual arrangements, with Hanyi E-Commerce and its new nominee shareholders on October 4, 2018 to give ruhnn effective control over Hanyi E-Commerce and transfer all of the economic benefits to ruhnn. Pursuant to these VIE arrangements, Hanyi E-Commerce was established as a consolidated VIE of the Company.

Upon the completion of the Equity Restructuring, the shareholders’ rights and obligations remained the same, and ruhnn recognized the net assets of Hanyi E-Commerce on a historical cost basis with no change in basis in the accompanying combined and consolidated financial statements. The Company’s per share information including the basic and diluted loss per share have been presented retrospectively as of the beginning of the earliest period presented on the combined and consolidated financial statements.

On April 3, 2019, the Company completed its initial public offering of 10.0 million American Depositary Shares (“ADS”) on the Nasdaq Global Select Market (“Nasdaq”), representing 50.0 million of Class A ordinary shares, with a price of US\$12.5 per ADS and total offering size of US\$125.0 million (RMB838.9 million). The Company received net proceeds of approximately US\$116.3 million (RMB 781.2 million), after deduction of underwriting discounts and commissions for the IPO.

2. Summary of principal accounting policies

(a) Basis of presentation

The accompanying combined and consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

(b) Principles of consolidation

The financial statements represent (1) prior to Equity Restructuring on October 4, 2018, the combined financial statements of Ruhnn Holding Limited, Hangzhou Ruhnn Holdings Co., Ltd. and its subsidiaries; (2) subsequent to Equity Structure, the consolidated financial statements of Ruhnn Holding Limited, its subsidiaries, VIE and VIE’s subsidiaries. All inter-company transactions and balances have been eliminated.

Applicable PRC laws and regulations currently limit foreign ownership of companies that provide internet content distribution services. The Company is deemed a foreign legal person under PRC laws and accordingly subsidiaries owned by the Company are not eligible to engage in provisions of internet content or online services. To provide the Company effective control over the VIE and receive substantially all of the economic benefits of the VIE, the Company’s wholly owned subsidiary, WFOE entered into a series of contractual arrangements, described below, with the VIE and their respective shareholders on October 4, 2018 in connection with the Equity Restructuring disclosed in Note 1.

Agreements that provide the Company effective control over the VIE include:

Voting Rights Proxy Agreements & Irrevocable Power of Attorney. Pursuant to which each of the shareholders of VIE has executed voting rights proxy agreements, appointing the WFOE, or any person designated by the WFOE, as their attorney-in-fact to (i) call and attend shareholders’ meetings of VIE and execute relevant shareholders’ resolutions; (ii) exercise on their behalf all his rights as a shareholder of VIE, including those rights under PRC laws and regulations and the articles of association of VIE, such as voting, appointing, replacing or removing directors, (iii) submit all documents as required by governmental authorities on behalf of VIE, and (iv) assign the shareholding rights to VIE, including receiving dividends, disposing of equity interest and enjoying the rights and interests during and after liquidation.

Exclusive Call Option Agreements. Pursuant to which each the VIE shareholders unconditionally and irrevocably granted the WFOE or its designee exclusive options to purchase, to the extent permitted under PRC laws and regulations, all or part of the equity interests in the VIE. The WFOE has the sole discretion to decide when to exercise the options, and whether to exercise the options in part or in full. Without the WFOE's written consent, the VIE shareholders may not sell, transfer, pledge or otherwise dispose of or create any encumbrance on any of VIE's assets or equity interests.

Equity Pledge Agreements. The VIE shareholders agreed to pledge their equity interests in VIE to the WFOE to secure the performance of the VIE's obligations under the series of contractual agreements and any such agreements to be entered into in the future. Without prior written consent of the WFOE, the VIE's shareholders shall not transfer or dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests. If any economic interests were received by means of their equity interests in the VIE, such interests belong to the WFOE.

Agreements that transfer economic benefits of VIE to the Company include:

Exclusive Business Cooperation Agreements. Under the exclusive services agreement, the Company and the WFOE have the exclusive right to provide comprehensive technical and business support services to the VIE. In exchange, the VIE pays annual service fees to the WFOE in the amount equivalent to all of their net income as confirmed by the WFOE. The WFOE has the right to adjust the service fee rates at its sole discretion. The agreement can be early terminated by the WFOE by giving a 30-day prior notice, but not by the VIE or VIE's shareholders.

Voting Rights Proxy Agreements & Irrevocable Powers of Attorney provide the Company effective control over the VIE and its subsidiaries, while the Equity Pledge Agreements secure the obligations of the shareholders of the VIE under the relevant agreements. Because the Company, through the WFOE, has (i) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (ii) the right to receive substantially all of the benefits from the VIE, the Company is deemed the primary beneficiary of the VIE. Accordingly, the Company has consolidated the VIE's financial results of operations, assets and liabilities in the Company's combined and consolidated financial statements. The aforementioned agreements are effective agreements between a parent and consolidated subsidiaries, neither of which is accounted for in the combined and consolidated financial statements or are ultimately eliminated upon consolidation (i.e. service fees under the Exclusive Business Cooperation Agreement).

The Company believes that the contractual arrangements with the VIE are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Company's PRC subsidiaries and VIE;
- discontinue or restrict the operations of any related-party transactions between the Company's PRC subsidiaries and VIE;
- limit the Company's business expansion in China by way of entering into contractual arrangements;
- impose fines or other requirements with which the Company's PRC subsidiaries and VIE may not be able to comply;
- require the Company or the Company's PRC subsidiaries or VIE to restructure the relevant ownership structure or operations; or
- restrict or prohibit the Company's use of the proceeds of the additional public offering to finance the Company's business and operations in China.

The following consolidated financial data of the Company's VIE and its subsidiaries, were included in the accompanying combined and consolidated financial statements after the elimination of intercompany balances and transactions among the Company, its subsidiaries, consolidated VIE and its subsidiaries.

	March 31, 2019	March 31, 2020
	(Amounts in thousands of RMB)	
ASSETS		
Cash and cash equivalents	89,951	113,429
Restricted cash	13,861	5,673
Short-term investments	-	25,550
Accounts receivable, net	29,372	60,370
Inventories	220,152	145,553
Advances to suppliers, net	41,591	32,628
Prepaid expense and other assets, net	32,969	34,158
Property and equipment, net	146,071	178,333
Intangible assets, net	3,174	1,883
Goodwill	1,002	1,002
Long-term investments	7,600	87,636
Other non-current assets	1,702	2,978
Total Assets	587,445	689,193
LIABILITIES		
Accounts payable	78,060	104,822
Notes payable	30,645	10,698
Accrued salary and benefits	56,616	66,556
Accrued expenses and other current liabilities	23,370	23,352
Amounts due to related parties	574,860	18,097
Dividend payable	115	-
Income tax payable	1,674	1,653
Other non-current liabilities	12,826	12,334
Total Liabilities	778,166	237,512

	Year Ended March 31,		
	2018	2019	2020
	(Amounts in thousands of RMB)		
Net revenue	947,580	1,093,438	1,295,850
Loss from operations	(72,351)	(74,744)	(19,202)
Net loss	(89,954)	(78,125)	(24,556)
Net cash (used in) provided by operating activities	(27,575)	(9,394)	51,191
Net cash used in investing activities	(1,949)	(6,702)	(264,201)
Net cash provided by financing activities	39,076	88,987	228,300

The VIE and its subsidiaries contributed 100% of the Company's consolidated revenue for the year ended March 31, 2018, 2019 and 2020. As of March 31, 2019 and 2020, the VIE and its subsidiaries accounted for an aggregate of 85% and 48% of the consolidated total assets and 100% and 93% of the consolidated total liabilities.

There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests that require the Company or its subsidiaries to provide financial support to the VIE. However, if the VIE were ever to need financial support, the Company may, at its option and subject to statutory limits and restrictions, provide financial support to its VIE through loans to the shareholders of the VIE.

The Company believes that there are no assets held in the VIE that can be used only to settle obligations of the VIE, except for registered capital and the PRC statutory reserves. As the VIE are incorporated as limited liability companies under the PRC Company Law, creditors of the VIE do not have recourse to the general credit of the Company for any of the liabilities of the VIE. Relevant PRC laws and regulations restrict the VIE from transferring a portion of their net assets, equivalent to the balance of its statutory reserve and its share capital, to the Company in the form of loans and advances or cash dividends.

(c) Use of estimates

The preparation of 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 the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include but are not limited to allowance for doubtful accounts, inventory write-downs, useful lives of property and equipment and intangible assets, impairment of goodwill and long-lived assets, impairment of long-term investments and valuation allowance of deferred tax assets. The Company bases its estimates on historical experience and various other factors believed to be reasonable under the circumstances but are inherently uncertain and unpredictable, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from those estimates.

(d) Fair value of financial instruments

Fair value is considered to be 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 Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

- Level 1—Inputs are based on unadjusted quoted prices that are available in active markets for identical assets or liabilities at measurement date.
- Level 2—Significant inputs are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Significant unobservable inputs that cannot be corroborated by observable market data and reflect management’s estimates of assumptions that market participants would use to price an asset or liability.

The fair value of the Company’s cash and cash equivalents, restricted cash, short-term investments, receivables and payables approximate their carrying amount because of the short-term nature of these instruments.

The Company measures equity method investments at fair value on a nonrecurring basis when they are deemed to be impaired. The fair values of these investments are determined based on valuation techniques using the best information available. An impairment charge to these investments is recorded when the carry amount of an investment exceeds its fair value and this condition is determined to be other-than-temporary. During the years ended March 31, 2018, 2019 and 2020, no impairment of equity method investments was recorded.

Upon the adoption of ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10) on April 1, 2019, the Company elected to measure equity investments that were accounted for under the cost method prior to the adoption and do not have readily determinable fair values 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 issuer. Certain equity investments without readily determinable fair values were measured at cost minus impairment during the years ended March 31, 2020.

(e) Convenience translation

Our reporting currency is Renminbi (“RMB”) because our business is conducted in China and our revenues are denominated in RMB. These financial statements contain translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. The conversion of RMB into U.S. dollars in this financial statement, is based on the exchange rate set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this financial statement were made at a rate of RMB7.0808 to US\$1.00, the exchange rate in effect on March 31, 2020. The Company make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign currency and through restrictions on foreign trade.

(f) Cash, cash equivalents and restricted cash

Cash and cash equivalents consist of cash on hand and demand deposits which are unrestricted as to withdrawal or use, and which have original maturities of three months or less when purchased.

The Company's restricted cash represents amounts held by banks, which are not available for the Company's general use, as security for bank acceptance bills. Upon the repayment of bank acceptance bills which generally occur within one year, the deposits will be released by the bank and will become available for general use by the Company.

(g) Accounts receivable, net

Accounts receivable, net represents those receivables derived from the ordinary course of business and are recorded net of allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts that reflect its best estimate of probable losses inherent in the accounts receivable. The Company also makes specific allowance if there is strong evidence indicating that the accounts receivable is likely to be unrecoverable. In determining collectability of the accounts receivable, the Company considers many factors, such as: creditworthiness of customers, aging of the receivables, payment history of customers, financial condition of the customers and market trends, and specific facts and circumstances. Accounts receivable balances are written off after all collection efforts have been exhausted.

(h) Short-term investments

Short-term investments primarily comprise of time deposits and wealth management products with maturities between three months and one year.

(i) Property and equipment, net

Property and equipment are recorded at cost less accumulated depreciation and impairment. Expenditures for maintenance, repairs, and minor renewals are charged to expense in the period incurred. Betterments and additions are capitalized. Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of their estimated useful lives or lease terms that are reasonably assured. The estimated useful lives of property and equipment are as follows:

Buildings	35 years
General equipment	3 - 10 years
Motor vehicles	4 years
Leasehold improvements	Lesser of lease term or estimated useful life of 5 years
Warehouse equipment under capital lease	10 years

(j) Inventories

Inventory is stated at the lower of cost or net realizable value. Cost of inventory is determined using the weighted average cost method. Valuation of inventories is based on currently available information about expected recoverable value. The estimate is dependent upon factors such as whether the goods are returnable to vendors, inventory aging, historical and forecasted consumer demand, and promotional environment.

(k) Intangible assets, net

The Company's intangible assets are initially recorded at the capitalized actual costs incurred, their acquisition cost, or fair value if acquired as part of a business combination, and amortized on a straight-line basis over their respective estimated useful lives, which are the periods over which the assets are expected to contribute directly or indirectly to the future cash flows of the Company. As of March 31, 2019 and 2020, the Company's intangible assets primarily represent exclusive cooperation rights and social media accounts in social media platforms, and amortization is computed over the following estimated economic useful lives:

Exclusive cooperation rights	5 years
Accounts in social media platforms	4 years
Trademarks and software	3-10 years

(l) Goodwill

Goodwill represents the cost in excess of the fair value of the net assets acquired in a business combination. As of March 31, 2019 and 2020, the balance of goodwill of RMB1,002 was as a result of the acquisition of Weimai Culture Co., Ltd. ("Weimai") in 2017.

In accordance with ASC 350, "Intangibles - Goodwill and Other," goodwill is tested at least annually for impairment, or when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company first assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, the Company considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. Based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount, the quantitative impairment test is performed.

In performing the two-step quantitative impairment test, the first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for the purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units.

The Company concluded that goodwill was not impaired as of March 31, 2019 and 2020.

(m) Impairment of long-lived assets

Long-lived assets are depreciated and amortized over their respective useful lives and are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable in accordance with ASC 360-10, "Impairment or Disposal of Long-Lived Assets." Factors considered important that could result in an impairment review include, but are not limited to, significant under-performance relative to historical or planned operating results, significant changes in the manner of use or expected life of the assets or significant changes in our business strategies. An impairment analysis is performed at the lowest level of identifiable cash flows for an asset or asset group based on valuation techniques such as discounted cash flow analysis. An impairment charge is recognized when the estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from the disposition of the asset, if any, are less than the carrying value of the asset net of other liabilities. The estimation of future cash flows requires significant management judgment and actual results may differ from estimated amounts. No impairment was recognized for the years ended March 31, 2019 and 2020.

(n) Long-term investments

The Company's investments include equity method investments and equity securities without readily determinable fair value.

The Company uses the equity method to account for an equity investment over which it has significant influence but does not own a majority equity interest or otherwise control. The Company records equity method adjustments in share of earnings and losses. Equity method adjustments include the Company's proportionate share of investee income or loss, adjustments to recognize certain differences between the Company's carrying value and its equity in net assets of the investee at the date of investment, impairments, and other adjustments required by the equity method. Dividends received are recorded as a reduction of carrying amount of the investment. Cumulative distributions that do not exceed the Company's cumulative equity in earnings of the investee are considered as a return on investment and classified as cash inflows from operating activities. Cumulative distributions in excess of the Company's cumulative equity in the investee's earnings are considered as a return of investment and classified as cash inflows from investing activities. The Company does not take any further obligations after the balance of the investment is deducted to zero due to the loss pick-up.

The Company adopted Accounting Standards Update ("ASU") 2016-01, "Financial Instruments—Overall (Subtopic 825-10)," on April 1, 2019. The Company measures equity investments other than equity method investments at fair value through statements of comprehensive loss. Equity securities without readily determinable fair values and over which the Company does not have significant influence are measured and recorded as the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes. Prior to April 1, 2019, these securities were accounted for using the cost method of accounting, measured at cost less other-than-temporary impairment.

No impairment was recognized for the years ended March 31, 2019 and 2020.

(o) Revenue recognition

On April 1, 2019, the Company adopted ASC 606, “Revenue from Contracts with Customers,” (“Topic 606”) using the modified retrospective method applied to all contracts that were not completed contracts at the date of initial application. There was no impact on the opening accumulated deficit as of April 1, 2019 due to the adoption of Topic 606. Revenue is recognized when control of goods or services is transferred to the Company’s customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The Company’s revenue recognition policies effective on the adoption date of ASC 606 are as follows:

Product sales under full-service model. We generate product sales revenues primarily through selling products to followers of KOLs under the full-service model. Under this model, we identified one performance obligation which is to sell goods directly to followers of KOLs through online stores. Revenue under the full service model is recognized on a gross basis and presented as product sales on the combined and consolidated statements of operations, because (i) we are primarily responsible for fulfilling the promise to provide the specified good; (ii) we bear the physical and general inventory risk once the products are delivered to our warehouse; (iii) we have discretion in establishing price.

The Company recognizes revenue primarily from online sales of products to followers of KOLs across various e-commerce platforms. A majority of the Company’s customers make online payments through third-party payment platforms when they place orders on the Company’s online stores. Product sales, net of return allowances, value added tax and related surcharges, are recognized when the funds are released from the third-party payment platforms to the Company which is the earlier of when (i) customers manually confirm their receipt of the products on the e-commerce platform or (ii) ten days after delivery.

Shipping and handling fees are included in net revenues. The Company typically does not charge shipping and handling fees for orders exceeding a certain sale amount. Shipping and handling revenue has not been material for the periods presented.

The Company offers its online customers an unconditional right of return for a period of seven days upon receipt of products. Return allowances, which reduce revenue, are estimated based on historical data and industry practice the Company has maintained and its analysis of returns by categories of products, and is subject to adjustments to the extent that actual returns differ or are expected to differ.

Services revenue through platform model. The Company serves as a platform in providing KOLs to brands, online retailers and other merchants for promotion of their products or services either on the KOLs’ social media platforms, other third-party platforms or offline channels. Such services primarily include (1) advertising service through the KOLs’ social media spaces; and (2) sales services provided by KOLs to promote merchants’ products or services through merchants’ various commerce channels across a period of time. Each category of services provided is considered as one performance obligation as they are distinct from each other.

The Company recognizes revenue of KOL advertising service at a point of time when the article, picture, video or others are posted or advertising events completed. As for KOL sales service, the Company determines that its performance obligation is satisfied over time and concluded to apply the practical expedient to recognize the revenue from KOL sales service in the amount to which the Company has the right to invoice on a monthly basis with a credit term of one to three months.

Revenue generated from these service arrangements is recognized on a net basis and presented as services revenue on the combined and consolidated statements of operations. All the costs that the Company incurs in the provision of the above services are classified as cost and operating expenses on the combined and consolidated statements of operations.

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represents amounts invoiced and revenue recognized prior to invoicing when the Company has satisfied the Company’s performance obligation and has the unconditional right to payment.

The Company sometimes receives advance payments from consumers before the service is rendered, which is recorded as deferred revenue included in the accrued expenses and other current liabilities on the combined and consolidated balance sheets.

Practical expedients and exemptions

In addition, the Company elected the practical expedient to not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed.

(p) Cost of revenue

Cost of revenue includes the cost of products sold and cost of services performed.

Cost of products sold mainly consist of the purchase price of products, inventory write-downs and KOL service fees. Purchase price of products amounted to RMB479,654, RMB540,186 and RMB521,348 for the years ended March 31, 2018, 2019 and 2020, respectively. Inventory write-downs amounted to RMB42,058, RMB40,587 and RMB66,621 for the years ended March 31, 2018, 2019 and 2020, respectively. KOL service fees included in cost of products sold amounted to RMB103,551, RMB96,585 and RMB81,825 for the years ended March 31, 2018, 2019 and 2020, respectively. KOL service fees are calculated based on a percentage of the product selling price and recorded as cost at the same time when revenue is recognized. Cost of products sold do not include other direct costs related to cost of product sales such as shipping and handling expense, payroll and benefits of logistic staff or logistic center and rental expenses, etc. Therefore, the Company's cost of revenue may not be comparable to other companies which include such expenses in their cost of revenues.

Cost of services performed mainly consists of KOL service fees incurred for providing sales and advertising services to third party customers and other service fees.

(q) Fulfillment

Fulfillment costs represent packaging material costs and those costs incurred in outbound shipping, operating and staffing the Company's fulfillment and customer service centers, including costs attributable to buying, receiving, inspecting and warehousing inventories; picking, packaging and preparing customer orders for shipment. Fulfillment costs also contain third party transaction fees, such as credit card processing and debit card processing fees. Shipping cost included in fulfillment costs amounted to RMB25,891, RMB30,636 and RMB27,747 for the years ended March 31, 2018, 2019 and 2020, respectively.

(r) General and administrative expenses

General and administrative expenses consist of payroll and related expenses for payroll, bonus and benefit costs for corporate employees, legal, finance, technical consulting, meeting expenses, rental fee and other corporate overhead costs.

(s) Sales and marketing expenses

Sales and marketing expenses consist primarily of expenses for KOL incubation, cultivation and training for the Company's platform KOLs, as well as expenses incurred for the Company's advertising, marketing and brand promotion activities under the full-services model.

Advertising and promotion costs in connection with the fees of marketing and promotion services the Company paid to third party vendors for advertising and promotion on various online and offline channels, for the purposes of KOL incubation and cultivation under the platform model, and promotion and advertising under the full-service model. Such costs were included as sales and marketing in the combined and consolidated statements of comprehensive loss and totaled RMB93,044, RMB109,881 and RMB126,558 for the years ended March 31, 2018, 2019 and 2020, respectively.

(t) 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. The Company follows the asset and liability method of accounting for income taxes.

Under this method, deferred income taxes are recognized for temporary differences between the tax bases of assets and liabilities and their reported amount in the combined and consolidated financial statements, net operating loss carry-forwards and credits by applying enacted tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided in accordance with the laws of the relevant taxing authorities. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in which temporary differences are expected to be realized or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the statement of comprehensive loss in the period of the enactment of the change.

The actual benefits that are ultimately realized may differ from estimates. As each audit is concluded, adjustments, if any, are recorded in the financial statements in the period in which the audit is concluded. Additionally, in future periods, changes in facts, circumstances and new information may require the Company to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. As of March 31, 2019 and 2020, the Company did not have any significant unrecognized uncertain tax positions.

(u) Share-based compensation

In accordance with ASC 718, Compensation-Stock Compensation, the Company determines whether an award granted to its employees should be classified and accounted for as a liability award or equity award. The Company's share-based compensation to its employees which are classified as equity awards are recognized in the combined and consolidated statements of comprehensive loss based on the grant date fair value. The Company's share-based compensation to its employees which are classified as liability awards are recognized in the combined and consolidated statements of comprehensive loss based on the fair value at each reporting date until settlement.

In determining the fair value of the share options granted, the closing market price of the underlying shares on the grant date is applied.

Forfeitures are recorded in the current period of the combined and consolidated statements of loss when they are actually occurred.

For modification of share-based awards, the Company records the incremental fair value of the modified award as share-based compensation on the date of modification for vested awards or over the remaining vesting period for unvested awards with any remaining unrecognized compensation expenses of the original awards. The incremental compensation is the excess of the fair value of the modified award on the date of modification over the fair value of the original award immediately before the modification.

The Company has used the binomial model to estimate the fair value of the options granted under 2019 equity incentive plan, or the Plan. The fair value per option was estimated at the date of grant using the following weighted-average assumptions: The Company estimated the risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in USD and adjusted for country risk premium of PRC at the option valuation date. The expected volatility at the date of grant date and each option valuation date was estimated based on the annualized standard deviation of the daily return embedded in historical share prices of comparable peer companies with a time horizon close to the expected expiry of the term. The Company has never declared or paid any cash dividends on its capital stock, and the Company does not anticipate any dividend payments in the foreseeable future.

The Company measures the cost of non-employee services received in exchange for share-based compensation based on the fair value of the equity instruments issued. The Company measures the fair value of the equity instruments in these transactions using the share price and other measurement assumptions on the measurement date, which is determined as the earlier of the date at which a commitment for performance by the counterparty to earn the equity instruments is reached, or the date at which the counterparty's performance is complete. The Company's share-based compensation to its non-employees are recognized in the combined and consolidated statements of comprehensive loss when its non-employees meet the performance target. The compensation expense is recognized on a straight-line basis over the vesting period.

(v) Net loss per share

Basic and diluted net loss per share is computed by dividing loss attributable to holders of ordinary shares by the weighted average number of the ordinary shares outstanding during the period. During the years ended March 31, 2018, 2019 and 2020, given that the Company has no potentially dilutive ordinary shares, the basic and diluted net loss per share are the same for the years presented.

(w) Leases as lessee

Leases 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 Company had leases of offices and warehouses under operating leases during the years ended March 31, 2018, 2019 and 2020.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessee are accounted for as capital leases. The Company leased several automatic equipment in the PRC during the years ended March 31, 2019 and 2020. The Company has determined the lease arrangement as capital lease under the criteria of ASC 840-10-25-1 and has measured a capital lease asset and lease obligation initially at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term..

(x) Comprehensive loss

Comprehensive loss is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. For the periods presented, the Company's comprehensive loss includes net loss and foreign currency translation adjustments and is presented in the combined and consolidated statements of comprehensive loss.

(y) Foreign currency translation

The Company's reporting currency is RMB. The functional currency of ruhnn is the United States dollar ("US\$"). The functional currency of the Company's subsidiaries in PRC and Hong Kong is RMB.

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Transactions in currencies other than the applicable functional currencies during the year are converted into the functional currencies at the applicable rates of exchange prevailing at the transaction dates. Transaction gains and losses are recognized in the consolidated statements of operations.

(z) Concentration and risks

A substantial portion of the Company's net revenue is generated from a limited number of KOLs through online stores operated in the names of KOLs and services provided through KOLs. For the years ended March 31, 2018, 2019 and 2020, net revenue generated from Yi Zhang accounted for 52%, 55% and 60% of total net revenue, respectively. There are no other KOL individually generating 10% or more of net revenue for the years ended March 31, 2018, 2019 and 2020.

There are no customers individually representing 10% or more of net revenue for the years ended March 31, 2018, 2019 and 2020. As of March 31, 2019, there was one customer that accounted for 29% of total accounts receivable. As of March 31, 2020, there was another customer that accounted for 15% of total accounts receivable.

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash and accounts receivable. The Company places its cash and cash equivalents and restricted cash with financial institutions with high credit ratings and quality, and believes no significant credit exists. Accounts receivable are typically unsecured and are derived from revenues earned from customers in the PRC. The risk with respect to accounts receivable is mitigated by credit evaluations the Company performs on its customers and its ongoing monitoring process of outstanding balances.

(aa) Foreign currency exchange rate risk

The Company is exposed to foreign currency exchange rate risk, which mainly affects the monetary assets denominated in the currencies other than the functional currencies of the respective entities. From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The (depreciation)/appreciation of the US\$ against RMB was approximately (8.9)%, 7.1% and 11.8% for the years ended March 31, 2018, 2019 and 2020, respectively. The functional currency and the reporting currency of the Company are the US\$ and the RMB, respectively. A portion of cash and cash equivalents and short-term investments are denominated in US\$. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US\$ in the future.

(ab) Recently issued accounting pronouncements

New accounting pronouncements recently adopted

As an emerging growth company, the Company has elected to take advantage of the benefits of the extended transition period provided to emerging growth companies in Section 13(a) of the Exchange Act.

In May 2014, Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which delays the effective date of ASU 2014-09 by one year. FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. In March 2016, FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in evaluating whether it controls the good or the service before it is transferred to the customer. The new revenue recognition standard is effective for public and private entities for annual reporting periods beginning after December 15, 2017 and 2018, respectively, and interim periods therein, that is, the first quarter of the fiscal year 2020. The new standard also permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). The Company adopted Topic 606 as of April 1, 2019 using the modified retrospective method. Refer to Note 2(o) above for further details.

In January 2016, FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities." Under ASU 2016-01, entities no longer use the cost method of accounting as it was applied before and ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, a company can elect to measure equity investments that do not have readily determinable fair values 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 issuer. ASU 2016-01 is effective for public and private entities for fiscal years beginning after December 15, 2017 and December 15, 2018, respectively, and interim periods therein. The Company adopted ASU 2016-01 on April 1, 2019, and the adoption of ASU 2016-01 does not have any material impact on its combined and consolidated financial statements.

New accounting pronouncements not yet adopted

In February 2016, FASB issued ASU No. 2016-02, “*Leases (Topic 842)*,” which generally requires companies to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet. In July 2018, FASB issued ASU No. 2018-10, “*Codification Improvements to Topic 842, Leases*,” and ASU No. 2018-11, “*Leases (Topic 842): Targeted Improvements*.” Topic 842 is effective for public entities and private entities for fiscal years beginning after December 15, 2018 and December 15, 2019, respectively, on a modified retrospective basis. The Company implemented Topic 842 on April 1, 2020 using a modified retrospective approach. As of March 31, 2020, the Company has RMB50.4 million of future minimum operating lease commitments that are not currently recognized on its combined and consolidated balance sheets. Based on the Company’s preliminary assessment, the Company will record a right-of-use asset and a total operating lease obligation on its consolidated balance sheet of approximately RMB53.8million and RMB47.8million respectively upon the adoption.

In June 2016, FASB issued ASU No. 2016-13, “*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.” In November 2018, FASB issued ASU No. 2018-19, “*Codification Improvements to Topic 326, Financial Instruments-Credit Losses*,” which amends the scope and transition requirements of ASU 2016-13. Topic 326 requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. Topic 326 will become effective for public companies beginning January 1, 2020, with early adoption permitted, on a modified retrospective approach. For all other entities, Topic 326 is effective for fiscal periods beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Company is currently evaluating the impacts that the standards will have on its combined and consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, “*Improvements to Nonemployee Share-Based Payment Accounting: The amendments in this Update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees*.” An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. The Company does not expect ASU 2018-07 to have a material impact to the Company’s consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-13, “*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*,” which eliminates, adds and modifies certain disclosure requirements for fair value measurements. Under the guidance, public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. For all entities, the guidance is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, but entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the requirements. The Company does not expect a significant impact on its combined and consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-15, “*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*,” which requires an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. It also requires the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, which includes reasonably certain renewals. This guidance will be effective for the Company for annual reporting periods beginning after December 15, 2021, on a retrospective or prospective basis and early adoption is permitted. The Company is currently evaluating the impact this guidance will have on its combined and consolidated financial statements and related disclosures.

In October 2018, FASB issued ASU No. 2018-17, “*Consolidation (Topic 810)*”, which amends two aspects of the related-party guidance in ASC 810. Specifically, ASU 2018-17 adds an elective private-company scope exception to the variable interest entity guidance for entities under common control, and amends the guidance for determining whether a decision-making fee is a variable interest. The amendments require organizations to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety. ASU 2018-17 is effective for public entities and private entities for fiscal years beginning after December 15, 2019 and 2020, respectively. The Company does not expect the adoption of this new standard to have any material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.” ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to general principles in Income Taxes (Topic 740). It also clarifies and amends existing guidance to improve consistent application. The new standard is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company does not expect the adoption of this new standard to have any material impact on its combined and consolidated financial statements.

3. Business combination

In December 2017, the Company acquired 100% equity interest of Weimai for a cash consideration of RMB6. Weimai primarily operates official accounts on WeChat, a widely used social medial platform in China, which are being used by the Company in promoting the KOLs.

The transaction was accounted as business combination with the purchase price allocated as follows:

	<u>Allocated value</u> <u>(Amounts in thousands of RMB)</u>
Assets acquired:	
Cash	55
Prepaid expenses and other current assets	284
Intangible assets - Accounts in social media platforms	4,080
Goodwill	1,002
Total assets acquired	<u>5,421</u>
Liabilities assumed:	
Accounts payable	1
Accrued expenses and other current liabilities	344
Notes payable	5,070
Total liabilities assumed	<u>5,415</u>
Total net assets acquired	<u><u>6</u></u>

The Company engaged a third-party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total cash consideration over the fair value of the net assets acquired was recorded as goodwill which is not amortized and not tax deductible. The acquisition was not material to the combined and consolidated financial statements for the year ended March 31, 2018, as such proforma results of operations are not presented.

4. Accounts receivable, net

Accounts receivable, net, consists of the following:

	<u>As of March 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>(Amounts in thousands of RMB)</u>	
Accounts receivable	29,832	63,643
Less: Allowance for doubtful accounts	(460)	(3,273)
Accounts receivable, net	<u>29,372</u>	<u>60,370</u>

The movement of allowance for doubtful accounts is shown below:

	<u>Year Ended March 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>(Amounts in thousands of RMB)</u>	
Beginning balance	(294)	(460)
Additions	(166)	(2,813)
Ending balance	<u>(460)</u>	<u>(3,273)</u>

The Company only offers credit terms to certain corporate customers for KOL sales and advertising services based on a number of factors to determine their creditworthiness.

5. Advances to suppliers

Advances to suppliers consists of the following:

	As of March 31,	
	2019	2020
	(Amounts in thousands of RMB)	
Advances to suppliers	42,145	32,628

The movement of allowance for doubtful accounts is shown below:

	Year Ended March 31,	
	2019	2020
	(Amounts in thousands of RMB)	
Beginning balance	(26,317)	-
Additions	-	(3,245)
Reversal	3,629	-
Write-offs	22,688	3,245
Ending balance	-	-

The Company was in dispute with one of its suppliers in 2018, and based on an assessment of the recoverability, the Company provided full provision against the advances paid to the supplier of RMB26,317 as of March 31, 2018. During the year ended March 31, 2019, the Company was able to recoup a portion of the advances to this supplier in the amount of RMB3,629. The remaining RMB22,688 of advances to this supplier that were previously fully provided has been written off in the year ended March 31, 2019.

6. Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the followings:

	As of March 31,	
	2019	2020
	(Amounts in thousands of RMB)	
Value added tax recoverable	9,527	17,299
Prepaid rent	4,815	6,753
Advances to employees	7,319	3,851
Interest receivable	-	3,795
Receivable from KOLs	5,436	919
Others	5,872	4,695
Total	32,969	37,312

Receivable from KOLs represents customer payments initially kept in the online payment accounts under KOLs' names, which will subsequently be transferred to the Company's bank accounts within a short period of time.

7. Inventories

Inventories, consisted of the followings:

	As of March 31,	
	2019	2020
	(Amounts in thousands of RMB)	
Products	190,480	131,828
Raw materials	29,671	13,725
Inventories	220,151	145,553

The Company purchases raw materials such as fabric and buttons from various suppliers and outsources them to third party manufacturing companies for production and processing.

8. Property and equipment, net

Property and equipment, net, consisted of the followings:

	As of March 31,	
	2019	2020
	(Amounts in thousands of RMB)	
Buildings	125,692	148,168
General equipment	6,161	26,546
Leasehold improvements	2,399	8,592
Motor vehicles	1,394	2,344
Leased equipment under capital lease	12,826	12,826
Total cost	148,472	198,476
Less: Accumulated depreciation	(5,876)	(15,072)
Construction in Progress	3,475	-
Property and equipment, net	146,071	183,404

Depreciation of property and equipment was RMB1,945, RMB3,618 and RMB9,196 for the years ended March 31, 2018, 2019 and 2020, respectively.

In January 2019, the Company entered into a ten-year lease with a third-party lessor to lease several automatic equipment in the PRC. The Company has determined the lease arrangement should be accounted for as a capital lease under the criteria of ASC 840-10-25-1.

As of March 31, 2019 and 2020, the net value of the equipment under capital lease was:

	As of March 31,	
	2019	2020
	(Amounts in thousands of RMB)	
Equipment	12,826	12,826
Less: Accumulated depreciation	(321)	(1,599)
Leased equipment under capital lease	12,505	11,227

In June 2020, the Company terminated this capital lease contract as a result of the government expropriation plan.

9. Intangible assets, net

Intangible assets, net consist of the following:

	As of March 31,	
	2019	2020
	(Amounts in thousands of RMB)	
Exclusive cooperation rights ⁽¹⁾	103,000	103,000
Accounts in social media platforms	4,080	4,080
Trademarks and software	585	802
Total	107,665	107,882
Accumulated amortization:		
Exclusive cooperation rights	(1,717)	(22,317)
Accounts in social media platforms	(1,360)	(2,380)
Trademarks and software	(131)	(618)
Total	(3,208)	(25,315)
Intangible assets, net	104,457	82,567

(1) Represents exclusive cooperation rights with Yi Zhang primarily in online sales of women apparel products that has a contractual period of the later of five years after the completion of the IPO or when Yi Zhang's beneficial interest in the Company falls below 5%. See Note 15 below for details.

Amortization expense was RMB340, RMB2,868 and RMB22,107 for the years ended March 31, 2018, 2019 and 2020, respectively. Estimated amortization expense of the existing intangible assets for the next five years is RMB21,698, RMB21,327, RMB20,623, RMB18,889 and RMB30.

10. Long-term investments

Long-term investments consist of the following:

	As of March 31,	
	2019	2020
(Amounts in thousand of RMB)		
Equity method investee:		
Damei	-	-
Equity securities without readily determinable fair value:		
Zhiyi	7,600	7,600
Duomai	-	80,036
Total	<u>7,600</u>	<u>87,636</u>

In December 2016, the Company entered into an agreement to establish an e-commerce company, Damei Fashion (Shanghai) Culture Media Co., Ltd. (“Damei”) with Shanghai Kuailexun Advertising Promulgation Company Limited (“Kuailexun”) and an individual shareholder with an initial investment of RMB4,100. The Company holds 41% equity interest shares while Kuailexun and the individual shareholder holds the rest 49% and 10% shares, respectively. The Company accounted for the investment in Damei under the equity method as the Company has the ability to exert significant influence. The Company recognized RMB1,530, RMB977 and nil in its share of loss from equity method investments in the combined and consolidated statements of comprehensive loss for the years ended March 31, 2018, 2019 and 2020, respectively. As of the reporting date, Damei has been fully liquidated and the Company received a net consideration of RMB26.

In January 2018, the Company established Hangzhou Zhiyi Technology Co., Ltd. (“Zhiyi”) together with two individual shareholders. Zhiyi is a technology company which the Company contributed RMB190 and owned equity interest of 19%. The Company accounted for the investment in Zhiyi initially under the equity method as the Company has the ability to exert significant influence. The Company recognized its share of loss from equity method investments of RMB77 and RMB113 in the combined and consolidated statements of comprehensive loss for the years ended March 31, 2018 and 2019. As the Company continued to report losses on the investment, the investment was reduced to zero and equity method losses ceased being reported.

In September 2018, the Company’s equity interest in Zhiyi was diluted to 15.2% resulting from additional investment provided by third party investors. As a result of this transaction, the Company lost its ability to exert significant influence over Zhiyi. Therefore, the Company discontinued applying equity method on the investment in Zhiyi and recorded it as a cost-method investment. A deemed gain of RMB7,600 was recorded as the Company de-recognized the equity method investment during the year ended March 31, 2019. The investment was classified as investment in equity security without readily determinable fair value upon adoption of ASUS 2016-01 in the year ended March 31, 2020.

In June 2019, the Company acquired an aggregate of 8% equity interest of Hangzhou Duomai E-Commerce Co.,Ltd. (“Duomai”), which is listed on National Equities Exchange and Quotations (“NEEQ”) in the PRC, for a total consideration of RMB80,036. Duomai mainly provides performance-based online marketing services with over 10 years’ experience. The investment was classified as investment in equity securities without readily determinable fair value.

There was no impairment on long-term investments as of March 31, 2019 and 2020.

11. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of March 31,	
	2019	2020
(Amounts in thousands of RMB)		
Professional fees accrual and payable	-	10,971
Value added tax payable	14,854	6,959
Deferred revenue	3,576	3,690
Other tax payables	1,905	378
Current portion of capital lease liabilities	935	993
Leasehold improvements payable	200	3,981
Others	2,569	3,070
Total	<u>24,039</u>	<u>30,042</u>

12. Income taxes***Cayman Islands***

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain arising in Cayman Islands. Additionally, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

Ruhnn (Hong Kong) Limited and YiHnn (Hong Kong) Limited (“YiHnn HK”) are incorporated in the Hong Kong Special Administrative Region (“Hong Kong”) and are subject to Hong Kong profits tax at the rate of 16.5% on their activities conducted in Hong Kong. They may be exempted from income tax on their foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends. On April 1, 2018, a two-tiered profits tax regime was introduced. The profits tax rate for the first HK \$2 million of profits of corporations is lowered to 8.25%, while profits above that amount continue to be subject to the tax rate of 16.5%.

PRC

Under the Law of the People’s Republic of China on Enterprise Income Tax (“EIT Law”), the Company’s subsidiaries, its VIE and subsidiaries of VIE in the PRC are subject to statutory rate of 25%. According to Caishui 2019 No. 13, Yishang was certified as a “Small Low-profit Enterprise”, which was entitled to a preferential tax rate of 10%.

For the years ended March 31, 2018, 2019 and 2020, income tax expense was RMB15,843, RMB10,413 and RMB8,724, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has no deferred tax liabilities. The Company’s deferred tax assets were as follows:

	As of March 31,	
	2019	2020
	(Amounts in thousands of RMB)	
Deferred tax assets:		
Net operating loss carry-forward	28,473	37,530
Write-off of inventory	26,470	24,413
Provision for allowance of doubtful accounts	202	819
Advertising fees	1,522	1,562
Other deductible expenses	2,795	339
Total deferred tax assets	59,462	64,663
Valuation allowance on deferred tax assets	(59,462)	(64,663)
Net deferred income tax	-	-

As of March 31, 2020, tax loss carry forwards amounted to RMB198,676 of which nil, nil, RMB14,881, RMB58,495 and RMB125,300 will expire in 2021, 2022, 2023, 2024 and 2025, respectively. The Company operates its business through its subsidiaries and VIE. The Company does not file consolidated tax returns, therefore, losses from any individual subsidiary or VIE may not be used to offset earnings from other subsidiaries and VIE earnings within the Company.

The Company considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will be more likely than not realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses and forecasts of future profitability. These assumptions require significant judgment and the forecasts of future taxable income are consistent with the plans and estimates the Company is using to manage the underlying businesses. Valuation allowances are established for deferred tax assets based on a more likely than not threshold. The Company’s ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carry forward periods provided for in the tax law. The Company has provided full valuation allowance for the deferred tax assets as of March 31, 2019 and 2020, as management is not able to conclude that the future realization of those net operating loss carry forwards and other deferred tax assets are more likely than not. There was an increase of RMB10,915 and RMB5,201 in valuation allowance for the years ended March 31, 2019 and 2020.

Aggregate accumulated deficit of the Company’s VIE and subsidiaries located in the PRC was approximately RMB181,186, RMB181,993 and RMB212,512 as of March 31, 2018, 2019 and 2020, respectively.

Reconciliations of the differences between PRC statutory income tax rate and the Company's effective income tax rate for the years ended March 31, 2018, 2019 and 2020 are as follows:

	Year Ended March 31,		
	2018	2019	2020
	%	%	%
Statutory income tax rate	25	25	25
Expenses not deductible for tax purposes	(5)	(6)	(6)
Change in valuation allowance	(40)	(15)	(11)
Tax effect relating to forgiveness of payables ⁽¹⁾	-	(17)	-
Effect of tax rate in different tax jurisdictions	-	-	(23)
Effect of tax-free interest income	-	-	4
Others	(2)	(1)	1
Effective tax rate	<u>(22)</u>	<u>(14)</u>	<u>(10)</u>

(1) Represents tax effect relating to waived payables due to Hangzhou Ruhnn. Forgiveness of payables is treated as taxable income under PRC tax regulations.

13. Net loss per share

Basic and diluted net income per share for each of the years presented are calculated as follows:

	Year Ended March 31,		
	2018	2019	2020
	(Amounts in thousands of RMB, except share data)		
Numerator:			
Net loss	(89,954)	(84,923)	(97,793)
Less: Net income (loss) attributable to non-controlling interest	14,051	(11,677)	(5,302)
Net loss attributable to ruhnn	<u>(104,005)</u>	<u>(73,246)</u>	<u>(92,491)</u>
Denominator:			
Weighted average ordinary shares outstanding:			
Basic and diluted	319,406,760	321,584,804	415,523,933
Net loss per ordinary share:			
Basic and diluted	<u>(0.33)</u>	<u>(0.23)</u>	<u>(0.22)</u>
Net loss per ADS (each ADS represents five ordinary shares):			
Basic and diluted	<u>(1.63)</u>	<u>(1.14)</u>	<u>(1.11)</u>

As of March 31, 2020, the Company had 12,057,070 outstanding share options, which was excluded from the computation of diluted earnings per share as its effects would have been anti-dilutive.

14. Ordinary shares

As of March 31, 2019, the number of authorized ordinary shares was 1,000,000,000, with a par value of US\$0.000000001 per share, of which, 363,572,659 shares were issued and outstanding.

On April 3, 2019, the Company adopted a dual-class ordinary share structure, pursuant to which, all the authorized ordinary shares were reclassified and re-designated into Class A ordinary shares and Class B ordinary shares. The rights of the holders of Class A and Class B ordinary shares are identical, except with respect to voting and conversion rights. Each share of Class A ordinary shares is entitled to one vote per share and shall not be converted into Class B ordinary shares under any circumstances. Each share of Class B ordinary shares is entitled to ten votes per share and is convertible into one Class A ordinary share at any time by the holder thereof.

15. Non-controlling interest

A non-controlling interest in a subsidiary of the Company represents the portion of the equity in the subsidiary not directly or indirectly attributable to the Company. Non-controlling interests are classified as a separate line item in the equity section of the Company's combined and consolidated balance sheets and have been separately disclosed in the Company's combined and consolidated financial statements to distinguish the interests from that of the Company.

The Company's non-controlling interest was negative RMB1,256 and RMB6,558 as of March 31, 2019 and 2020, respectively, which was related to Xinhan, a subsidiary the Company owned 65%. The movement of the non-controlling interest were as follows:

	Xinhan	Hangzhou Dayi	Total
	(Amounts in thousands of RMB)		
Balance as of March 31, 2018	-	18,477	18,477
Net loss	(1,256)	(10,421)	(11,677)
Dividend paid to non-controlling interests holders	-	(17,150)	(17,150)
Acquisition of non-controlling interest	-	9,094	9,094
Balance as of March 31, 2019	(1,256)	-	(1,256)
Net loss	(5,302)	-	(5,302)
Balance as of March 31, 2020	(6,558)	-	(6,558)

As of March 31, 2018, there was non-controlling interest balance related to Hangzhou Dayi of RMB18,477. On June 28, 2018, the Company declared dividend distribution plan of Hangzhou Dayi before the Company's acquisition of its non-controlling interests. According to the distribution plan, RMB17,150 was distributed to Wunai Yidui among which RMB17,035 had been paid on September 2018 and the remaining amount of RMB115 was distributed to Wunai Yidui on June 2019.

On March 5, 2019, the Company entered into an agreement with Yi Zhang, one of the Company's top KOLs and a shareholder, whereby the Company issued 44,165,899 ordinary shares to her in exchange for her 49% non-controlling equity interest in Hangzhou Dayi and the exclusive cooperation rights with her in online sales of women apparel products until the later of five years after the completion of the IPO or when her beneficial interest in the company falls below 5%. The fair value of shares issued to Yi Zhang had been allocated to the acquisition of the non-controlling interest of Hangzhou Dayi and exclusive cooperation rights at RMB656,000 and RMB103,000, respectively, which were determined with the assistance of a third-party valuer. The carrying value of non-controlling interest relating to Hangzhou Dayi at the date of the exchange was negative RMB9,094. A loss of RMB665,094 was resulted from the acquisition of the non-controlling interest as the excess of the fair value consideration paid of RMB656,000 based on shares issued over the adjustment to the carrying amount of the non-controlling interest of negative RMB9,094. The Company accounted for the transaction by recording issuance of shares in fair value of RMB656,000, the loss of RMB665,094 resulted in the acquisitions of non-controlling interest of Hangzhou Dayi in additional paid-in capital with a credit to the non-controlling interest account in the amount of RMB9,094 effectively reversing out the previous carrying amount of non-controlling interest before the acquisition.

16. Related party transactions

The table below sets forth major related parties and their relationships with the Company:

Company Name	Relationship with the Company
Hangzhou Ruhnn	Parent Company prior to Equity Restructuring
Yi Zhang	Shareholder of the Company
Dayi (Shanghai) Film Culture Studio ("Dayi Studio")	Controlled and owned by Yi Zhang
Shanghai Xiuxi Culture Communication Studio ("Xiuxi Studio")	Controlled and owned by Yi Zhang
Hangzhou Wunai Yidui Trade Co., Ltd. ("Wunai Yidui")	Controlled and owned by Yi Zhang
Shanghai Menglei Corporation Management Center ("Menglei")	Controlled and owned by Yi Zhang
Shanghai Mengqin Corporation Management Center ("Mengqin")	Controlled and owned by Yi Zhang
Shanghai Mengxiang Corporation Management Center ("Mengxiang")	Controlled and owned by Yi Zhang
Daohua Mama Culture Communication Studio ("Daohua Mama")	Controlled and owned by Sijia Chen, spouse of Min Feng, founder and chairman of the Company

The Company entered into the following transactions with its related parties:

During the year ended March 31, 2020, the Company engaged KOL services from Dayi Studio, Menglei, Mengqin, Mengxiang and Daohua Mama with service expenses of RMB24,437, RMB18,794, RMB18,794, RMB18,794 and RMB9,958, respectively.

During the year ended March 31, 2019, the Company engaged KOL services from Dayi Studio and Xiuxi Studio with service expenses of RMB21,378 and RMB42,436, respectively.

During the year ended March 31, 2018, the Company engaged KOL services from Dayi Studio with service expenses of RMB42,111.

During the year ended March 31, 2019, Hangzhou Ruhnn sold buildings and related leasehold improvements at an amount of RMB125,398 to Hanyi E-Commerce. The amount had been fully paid during the year ended March 31, 2020.

On October 4, 2018, as part of the Equity Restructuring, Hangzhou Ruhnn waived payables in the amount of RMB50,233 which were incurred in relation to payroll expenses paid to certain employees on behalf of the Company. The amounts due to Hangzhou Ruhnn waived in connection with the Equity Restructuring were recorded as a capital contribution in additional paid-in capital on the combined and consolidated statements of shareholders' deficits.

In March 2019, in order to acquire the remaining ownership of Hangzhou Dayi, and convert it from a 51%-owned subsidiary to a wholly owned subsidiary of Hanyi E-Commerce, the Company entered into the following agreements with Yi Zhang, one of the top KOLs of the Company, and her affiliated entities: (i) an equity interest transfer agreement pursuant to which Hangzhou Wunai Yidui Trade Co., Ltd. agreed to transfer 49% equity interest in Hangzhou Dayi to Hanyi E-Commerce; and (ii) a share purchase agreement pursuant to which the Company agreed to issue 44,165,899 ordinary shares, which have been re-designated to Class A ordinary shares, to China Himalaya Investment Limited, a company wholly owned by Yi Zhang. The fair value of shares issued to Yi Zhang had been allocated to the acquisition of the noncontrolling interest of Hangzhou Dayi and exclusive cooperation rights at RMB656,000 and RMB103,000, respectively, which were determined with the assistance of a third party valuation company. These transactions were completed in the same month. In connection with these transactions, Yi Zhang also agreed to continue her exclusive cooperation with the Company in online sales of women apparel products until the later of five years after the completion of the initial public offering or when her beneficial interests in the company fall below 5%.

As of March 31, 2019 and 2020, details of amounts due to related parties were as follows:

	As of March 31,	
	2019	2020
	(Amounts in thousands of RMB)	
Amounts due to:		
Hangzhou Ruhnn ⁽¹⁾	559,869	-
Xiuxi Studio ⁽²⁾	14,500	-
Dayi Studio ⁽²⁾	-	6,889
Menglei ⁽²⁾	-	3,382
Mengqin ⁽²⁾	-	3,382
Mengxiang ⁽²⁾	-	3,382
Daohua Mama ⁽³⁾	-	572
Wunai Yidui	490	490
Total	574,859	18,097

(1) Includes loan payable of RMB434,471 as of March 31, 2019. Interest due under these related party loans are waived by Hangzhou Ruhnn. Interest expenses to Hangzhou Ruhnn were nil for both years ended March 31, 2019 and 2020. As of March 31, 2020, Hanyi E-Commerce fully repaid the amount due to Hangzhou Ruhnn as part of the Equity Restructuring. See Note 1.

(2) Represents service fee payable for KOL services to Yi Zhang.

(3) Represents service fee payable for KOL services to Sijia Chen.

17. Commitments and contingencies

(a) Operating lease obligations

The Company leases certain office and warehouse premises under operating leases. The term of each lease agreement varies and may contain renewal options. Rental payments under operating leases are charged to operating expenses on a straight-line basis over the period of the lease based on contract terms. Rental expenses under operating leases for the years ended March 31, 2018, 2019 and 2020 were RMB12,476, RMB19,957 and RMB21,540, respectively.

Future lease payments under operating leases as of March 31, 2020 were as follows:

	(Amounts in thousands of RMB)
2021	14,902
2022	12,204
2023	11,179
2024	8,404
2025 and thereafter	3,755
Total	50,444

In June 2020, the Company terminated certain warehouse lease contracts in Haining as a result of the government expropriation plan. Meanwhile, the Company entered into new warehouse lease contracts with third-party landlords in Haining and Hangzhou.

(b) Capital commitment

As of March 31, 2020, the Company has several contracts with third party suppliers for the decoration of buildings. The related capital commitments as of March 31, 2020 amounted to RMB7,870, which is expected to be disbursed during the next twelve months.

(c) Contingencies

The Company is subject to periodic legal or administrative proceedings in the ordinary course of business. The Company does not believe that any currently pending legal or administrative proceeding to which the Company is a party will have a material effect on its business or financial condition.

Starting in September 2019, the Company, certain directors and officers of the Company, and the underwriters of the Company's initial public offering in April 2019 have been named as defendants in a putative securities class action. Management of the Company believes that the claims are without merit and intends to defend vigorously.

18. Share-based compensation

The Company adopted the 2019 equity incentive plan in March 2019 (the "Plan"), which became effective upon the completion of our initial public offering and pursuant to which equity-based awards may be granted to eligible participants. The purpose of the Plan is to attract and retain the services of key personnel and to provide means for directors, officers, employees, consultants and advisors to acquire and maintain an interest in the Company, which may be measured by reference to the value of Class A ordinary shares. The maximum aggregate number of Shares that may be subject to Awards under the Plan is 8% of the total outstanding number of ordinary shares as reflected on the register of members of the Company immediately following the completion of the IPO which is 413,572,659 shares, plus one or several increases during the term of the Plan by an amount equal to such number of Shares as may be determined by the Board, provided, however, that (i) the aggregate number of Shares increased in each fiscal year shall not be more than 3% of the total number of ordinary shares issued and outstanding on the last day of the immediately preceding fiscal year and (ii) the aggregate number of Shares increased during the term of the Plan shall not be more than 6% of the total number of ordinary shares issued and outstanding on the last day of the fiscal year immediately preceding the most recent increase. The board of directors have authorized issuance of up to 33,085,812 shares. The term of the option shall not exceed ten years from the date of grant.

Share options

During the year ended March 31, 2020, ruhnn granted 19,437,630 and 570,000 share options to employees and consultants, respectively. These share options have an exercise price of USD0.01 which includes 9,451,055 share options that vested immediately upon grant. The remaining share options have vesting periods ranging from 2 to 3 years. Share options granted to consultants are also subject to certain performance criteria relating to the net revenue target in the first year of the three vesting years' period. Ruhnn also granted 200,000 share options to the independent directors under the Plan, which have an exercise price of US\$1.24 per share and vest ratably over three years. The weighted-average grant-date fair value of the options granted in 2019 were RMB4.96 (US\$0.70) per share.

The Company used the binomial model to estimate the fair value of the options granted under the Plan. The fair value per option was estimated at the date of grant using the following weighted-average assumptions: The Company estimated the risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in USD and adjusted for country risk premium of PRC at the option valuation date. The expected volatility at the date of grant date and each option valuation date was estimated based on the annualized standard deviation of the daily return embedded in historical share prices of comparable peer companies with a time horizon close to the expected expiry of the term. Ruhnn has never declared or paid any cash dividends on its capital stock, and does not anticipate any dividend payments in the foreseeable future.

	<u>Year Ended March 31, 2020</u>
Risk-free interest rate	1.54%-2.54%
Contract life	10 years
Expected volatility range	37.99%-56.8%
Expected dividend yield	-
Fair value of the underlying shares on the date of option grants (US\$)	0.31-1.06

A summary of option activity under the 2019 equity plan during the year ended March 31, 2020 is presented below:

	Number of options	Weighted average exercise price US\$	Weighted average remaining contractual term (Years)	Aggregate intrinsic value of options (US\$ in thousands)
Outstanding as of March 31, 2019	-	-		-
Granted	20,207,630	0.02		-
Forfeited	(766,575)	0.01		-
Exercised	(7,383,985)	0.01		-
Outstanding as of March 31, 2020	<u>12,057,070</u>	0.03	9.4	10,220
Options vested and expected to vest as of March 31, 2020	12,057,070	0.03	9.4	10,220
Options exercisable as of March 31, 2020	2,067,070	0.01	9.4	1,794

The aggregate intrinsic value amounts in the table above represent the difference between the closing price of the ruhnn's ADS on March 31, 2020 of US\$4.39, adjusted for the price per ordinary share, and the exercise price, multiplied by the number of in-the-money stock options as of the same date.

As of March 31, 2020, there was RMB40,257 of total unrecognized compensation expense related to unvested share options granted. That cost is expected to be recognized over a weighted-average period of 2.3 years.

Ruhnn recorded compensation expense of nil, nil and RMB55,351 for share options for the years ended March 31, 2018, 2019 and 2020, respectively. Share-based compensation were allocated in the following accounts in the combined and consolidated statements of comprehensive loss for the fiscal year ended March 31, 2020:

	Year Ended March 31, 2020 (Amounts in thousands of RMB)
Fulfillment expenses	1,641
Sales and marketing expenses	10,221
General and administrative expenses	43,489
Total	<u>55,351</u>

19. Segment information

The Company has only one reportable segment since the Company does not distinguish revenues, costs and expenses between segments in its internal reporting, and reports costs and expenses by its nature as a whole.

The Company's chief operating decision maker, who has been identified as the Chief Executive Officer, reviews the combined and consolidated results when making decisions about allocating resources and assessing performance of the Company as a whole. The Company does not distinguish among markets or segments for the purpose of internal reports.

Product sales relate to sales of apparel, cosmetics and other products.

	Year Ended March 31,		
	2018	2019	2020
	(Amounts in thousands of RMB)		
Apparel	727,053	779,641	908,937
Cosmetics	111,814	99,375	29,182
Other product sales	73,645	63,765	54,484
Product sales	<u>912,512</u>	<u>942,781</u>	<u>992,603</u>
Services	<u>35,068</u>	<u>150,657</u>	<u>303,247</u>
Total net revenue	<u>947,580</u>	<u>1,093,438</u>	<u>1,295,850</u>

The Company mainly operates in the PRC and most of the Company's long-lived assets are located in the PRC. Most of the Company's revenues are derived from the PRC.

20. Mainland China contribution plan

Full time employees of the Company in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The PRC labor regulations require the Company to accrue for these benefits based on certain percentages of the employees' salaries. The total contributions for such employee benefits were RMB32,332, RMB31,130 and RMB31,099 for the years ended March 31, 2018, 2019 and 2020, respectively.

21. Restricted net assets

As a result of the PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Company. Amounts restricted include paid-in capital and additional paid-in capital of the Company's PRC subsidiaries, affiliates and VIEs. As of March 31, 2019 and 2020, the total restricted net assets were RMB22,436 and RMB733,239.

22. Subsequent events

On April 13, 2020, the board of directors of the Company approved the grant of an aggregate of 3.2 million share options to its employees, with an exercise price of \$0.01 per share and vesting periods ranging from two to four years.

Ruhnn announced a share repurchase program approved by the board of directors on June 2, 2020, under which ruhnn may repurchase up to US\$15.0 million worth of its outstanding ADSs from time to time for a period not to exceed twelve months from the date hereof. Ruhnn has made repurchases of an aggregate of 0.8 million ADSs, at an average price paid per share of US\$3.46, with US\$2.9 million in total, up to August 7, 2020.

Beginning in April 2020, one of our top KOLs, who contributed more than 50% of the Company's total net revenue for each of the year ended March 31, 2018, 2019 and 2020, has experienced a significant decrease in the product sales generated from the online stores under her name. As a result, the Company has experienced a decline in product sales as of the date of this report. The Company is in the process of assessing the continuing impacts to its operations and potential impairment on the intangible asset relating to the exclusive cooperation rights with this KOL.

ADDITIONAL FINANCIAL INFORMATION - FINANCIAL STATEMENTS SCHEDULE I

RUHNN HOLDING LIMITED
FINANCIAL INFORMATION OF PARENT COMPANY
CONDENSED BALANCE SHEETS
(Amounts in thousands, except for share and per share data)

	<u>March 31, 2019</u>	<u>March 31, 2020</u>	
	RMB	RMB	US\$ (Note 2)
ASSETS:			
Current Assets:			
Cash and cash equivalents	1	14,240	2,011
Advances to suppliers	553	-	-
Prepaid expenses and other current assets	-	117	17
Total current assets	<u>554</u>	<u>14,357</u>	<u>2,028</u>
Amounts due from subsidiaries and consolidated VIEs	1,717	1,333,084	188,266
Intangible assets, net	101,283	80,683	11,395
TOTAL ASSETS	<u><u>103,554</u></u>	<u><u>1,428,124</u></u>	<u><u>201,689</u></u>
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY:			
Current liabilities:			
Accrued expenses and other current liabilities	-	6,813	962
Amounts due to subsidiaries and consolidated VIEs	9,143	22,370	3,159
Total current liabilities	<u>9,143</u>	<u>29,183</u>	<u>4,121</u>
Deferred income	-	10,033	1,417
Deficits of investments in subsidiaries and consolidated VIEs	185,001	204,588	28,893
Total liabilities	<u>194,144</u>	<u>243,804</u>	<u>34,431</u>
Shareholders' (deficit) equity:			
Ordinary shares (US\$0.000000001 par value; 1,000,000,000 shares authorized, 363,572,659 shares issued and outstanding as of March 31, 2019)	-	-	-
Class A ordinary shares (US\$0.000000001 par value; 822,665,750 shares authorized, 246,122,394 shares issued and outstanding as of March 31, 2020)	-	-	-
Class B ordinary shares (US\$0.000000001 par value; 177,334,250 shares authorized, 174,834,250 shares issued and outstanding as of March 31, 2020)	-	-	-
Additional paid-in capital	701,041	1,504,848	212,525
Subscription receivable	(558,996)	-	-
Accumulated deficit	(232,635)	(325,126)	(45,916)
Other comprehensive income	-	4,598	649
Total ruhnn shareholders' (deficit) equity	<u>(90,590)</u>	<u>1,184,320</u>	<u>167,258</u>
Total shareholders' (deficit) equity	<u>(90,590)</u>	<u>1,184,320</u>	<u>167,258</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>103,554</u></u>	<u><u>1,428,124</u></u>	<u><u>201,689</u></u>

ADDITIONAL FINANCIAL INFORMATION - FINANCIAL STATEMENTS SCHEDULE I

RUHNN HOLDING LIMITED
FINANCIAL INFORMATION OF PARENT COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(Amounts in thousands, except for share and per share data)

	Year Ended March 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US\$ (Note 2)
Operating expenses:				
General and administrative	-	(98)	(13,760)	(1,943)
Loss from operations	-	(98)	(13,760)	(1,943)
Other income (loss):				
Interest income	-	-	284	40
Other income, net	-	-	2,162	305
Foreign exchange loss	-	-	(30)	(4)
Equity in losses of subsidiaries and consolidated VIEs	(104,005)	(73,148)	(81,147)	(11,460)
Net loss	(104,005)	(73,246)	(92,491)	(13,062)
Other comprehensive loss:				
Foreign currency translation adjustments	-	-	4,598	649
Comprehensive loss	(104,005)	(73,246)	(87,893)	(12,413)

ADDITIONAL FINANCIAL INFORMATION - FINANCIAL STATEMENTS SCHEDULE I

RUHNN HOLDING LIMITED
FINANCIAL INFORMATION OF PARENT COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
(Amounts in thousands, except for share and per share data)

	Years Ended March 31,			
	2018	2019	2020	US\$ (Note 2)
	RMB	RMB	RMB	
Net cash provided by (used in) operating activities	-	1	(17,510)	(2,473)
Net cash used in investing activities	-	-	(1,292,965)	(182,602)
Net cash provided by financing activities	-	-	1,324,438	187,047
Effect of exchange rate changes on cash, cash equivalents and restricted cash	-	-	276	39
Increase in cash and cash equivalents and restricted cash	-	1	14,239	2,011
Cash, cash equivalents and restricted cash at beginning of year	-	-	1	-
Cash, cash equivalents and restricted cash at end of year	-	1	14,240	2,011

ADDITIONAL FINANCIAL INFORMATION - FINANCIAL STATEMENTS SCHEDULE I**RUHNN HOLDING LIMITED
FINANCIAL INFORMATION OF PARENT COMPANY
NOTES TO SCHEDULE I**

- (1) Schedule I has been provided pursuant to the requirements of Rule 12-04(a) and 5-04-(c) of Regulation S-X, which require condensed financial information as to the financial position, change in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.
- (2) The condensed financial information has been prepared using the same accounting policies as set out in the accompanying consolidated financial statements except that the equity method has been used to account for the parent's investments in its subsidiaries. Such investments in subsidiaries are presented on the condensed balance sheets as Deficits of investments in subsidiaries and consolidated VIEs and the losses of the subsidiaries is presented as Equity in losses of subsidiaries and VIEs on the condensed statements of comprehensive loss. For the purpose of Schedule 1, the parent company has continued to reflect its share, based on its proportionate interest, the losses of subsidiaries and consolidated VIEs regardless of the carrying value of the investment even though the parent company is not obligated to provide continuing support or fund losses.
- (3) Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The footnote disclosures contain supplemental information relating to the operations of the parent company and, as such, these statements should be read in conjunction with the notes to the accompanying consolidated financial statements.
- (4) For the years ended March 31, 2019 and 2020, there are no material contingencies, mandatory dividend, and significant provisions for long-term obligations or guarantees of the parent company, except for those which have separately disclosed in the consolidated financial statements.
- (5) Translations of balances in the additional financial information of the financial statements schedule I from RMB into US\$ as of and for the year ended March 31, 2020 are solely for the convenience of the readers and were calculated at the rate of US\$1.00 = RMB7.0808, as set forth H.10 statistical release of the Board of Governors of the Federal Reserve System. The translation is not intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into United States dollars at that rate on March 31, 2020, or at any other rate.
- (6) The restrictions of net assets in the Company's consolidated subsidiaries only apply after the incorporation of Ruhnn Holding Limited which was on May 11, 2018. The prior periods were presented in accordance with Note 2 for comparative purposes. See Note 1 of the Company's audited consolidated financial statements for the history of the Company and the equity restructuring transactions that formed Ruhnn Holding Limited.

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of March 31, 2020, Ruhnn Holding Limited (the "Company", "we", "us" and "our") had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

<u>Title of each class</u>	<u>Trade symbol</u>	<u>Name of each exchange on which registered</u>
American depository shares, each representing five Class A ordinary shares	RUHN	Nasdaq Global Select Market
Class A ordinary shares, par value US\$0.000000001 per share*	N/A	Nasdaq Global Select Market

* Not for trading, but only in connection with the listing on the Nasdaq Global Select Market of American depository shares.

Description of Ordinary Shares (Items 9.A.3, 9.A.5, 9.A.6, 9.A.7, 10.B.3, 10.B.4, 10.B.6, 10.B.7, 10.B.8, 10.B.9 and 10.B.10 of Form 20-F)

General

We are an exempted company incorporated in the Cayman Islands with limited liability and our affairs are governed by our second amended and restated memorandum and articles of association, and the Companies Law (2018 Revision) of the Cayman Islands, which we refer to as the Cayman Companies Law, and the common law of the Cayman Islands.

Our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share and Class B ordinary share of our company has par value of US\$0.000000001 per share. The respective number of Class A ordinary shares and Class B ordinary shares that had been issued as of March 31, 2020 is provided on the cover of our annual report on Form 20-F for the fiscal year ended March 31, 2020.

All of our issued and outstanding ordinary shares are fully paid and non-assessable. Our ordinary shares are issued in registered form, and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. We may not issue shares to bearer.

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 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 outstanding share capital consists of Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share and holders of Class B ordinary shares are entitled to ten votes per share, in respect of matters requiring the votes of shareholders of our Company.

Voting at any meeting of shareholders is by a show of hands, unless a poll is demanded by the chairman or one or more holders present in person or by proxy of the Company entitled to vote, and, unless a poll is so demanded, a declaration by the chairman of that a resolution has, on a show of hands, been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favor of, or against that resolution.

Procedural and administrative matters are those that are not on the agenda of the general meeting and relate to the chairman's duties to maintain the orderly conduct of the meeting or allow the business of the meeting to be properly and effectively dealt with, while affording all shareholders a reasonable opportunity to express their views.

Conversion Rights

Each Class B ordinary share is convertible into one (1) Class A ordinary share at any time by the holder thereof. In no event shall Class A ordinary shares be convertible into Class B ordinary shares. Any conversion of Class B ordinary shares into Class A ordinary shares shall be effected in accordance with the manner set out in our post-listing articles, and such conversion shall become effective forthwith upon entries being made in the register of members of our company to record the re-designation of the relevant Class B ordinary shares as Class A ordinary shares.

Upon any sale or transfer of any Class B ordinary share by a holder thereof to any person or entity who is not an affiliate of such holder, or upon a change of beneficial ownership of any Class B ordinary share as a result of which any person who is not an affiliate of the registered shareholder becomes a beneficial owner of such share, such Class B ordinary share shall be automatically and immediately converted into one Class A ordinary share. A sale or transfer shall be effective upon our registration of such sale or transfer in our register of members. For the avoidance of doubt, the creation of any charges or other encumbrances on any Class B ordinary shares to secure any contractual or legal obligations shall not be deemed as a sale or transfer unless and until any such charge or other encumbrances is enforced and results in the third party who is not an affiliate of the relevant shareholder becoming a beneficial owner of the relevant Class B ordinary shares, in which case all the related Class B ordinary shares shall be automatically converted into the same number of Class A ordinary shares.

Transfer of Shares

Any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in any usual or common form or any other form approved by our board of directors, executed by or on behalf of the transferor (and if the directors so require, signed by the transferee).

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share that has not been fully paid up or is subject to a company lien. Our board of directors may also decline to register any transfer of any share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- the shares transferred are free of any lien in favor of us; or
- a fee of such maximum sum as the Nasdaq Global Select Market may determine to be payable, or such lesser sum as the board of directors may from time to time require, is paid to our company in respect thereof.

If our directors refuse to register a transfer, they shall within one calendar month after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

Winding Up

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 par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. 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 par value of the shares held by them.

The liquidator may, with the sanction of a special resolution of our shareholders, divide amongst the shareholders in species or in kind the whole or any part of the assets of our Company, and may for such purpose set such value as the liquidator deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between our shareholders or different classes of shareholders.

We are a “limited liability” company registered under the Cayman Companies Law, and under the Cayman Companies Law, the liability of our shareholders is limited to the amount, if any, unpaid on the shares respectively held by them. Our memorandum of association contains a declaration that the liability of our shareholders is so limited.

Redemption, Repurchase and Surrender of Ordinary Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, 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 provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders (but no repurchase may be made contrary to the terms or manner recommended by our directors), or as otherwise authorized by our post-listing articles. Under the Cayman Companies Law, the redemption or repurchase of any share may be paid out of our Company's profits, out of share premium account 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 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 Cayman Companies Law 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 or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares

Our board of directors may from time to time make calls upon shareholders (or any of them) for any amounts unpaid on their ordinary shares. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

General Meetings of Shareholders

As a Cayman Islands exempted company, we are not obliged by the Cayman Companies Law to call shareholders' annual general meetings. Our post-listing articles provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by a majority of our board of directors or by our chairman. Advance notice of at least seven 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 at least one shareholder present or by proxy, representing not less than one-third of votes attaching to the outstanding shares of our company and entitled to vote.

The Cayman Companies Law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our post-listing articles provide that upon the requisition of shareholders representing in aggregate not less than one-third 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. However, our post-listing articles do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Proceedings of Board of Directors

Our post-listing articles provide that our business is to be managed and conducted by our board of directors. The quorum necessary for board meetings may be fixed by the board and, unless so fixed at another number, will be a majority of the directors.

Our post-listing articles provide that the board may from time to time at its discretion exercise all powers of our company to raise capital or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our company and issue debentures, bonds and other securities of our company, whether outright or as collateral security for any debt, liability or obligation of our company or of any third party.

Changes in Capital

Our shareholders may from time to time by ordinary resolution:

- increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them, into shares of a smaller amount; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

Our shareholders may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital or any capital redemption reserve in any manner permitted by law.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under the Cayman Companies 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.

Differences in Corporate Law

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

Mergers and Similar Arrangements

The Cayman Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) a “consolidation” means the combination of two or more constituent companies into a company and the vesting of the undertaking, property and liabilities of such companies to the 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, among other things, with a declaration as to the solvency of the 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 shareholders 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. For this purpose a subsidiary is a company of which at least 90% of the issued shares entitled to vote are owned by the parent company.

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

Except in certain limited circumstances, a shareholder of a Cayman Islands constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his or her shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting from a merger or consolidation, provide the dissenting shareholder complies strictly with the procedures set out in the Cayman Companies Law. The exercise of such 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, except for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separately from the statutory provisions relating to mergers and consolidations, the Cayman Companies Law also contain 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 Cayman Companies Law.

The Cayman Companies Law also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of 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 of the offer being made, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

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, 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 to sue for a wrong done to us as a company and as a general rule, a derivative action may not be brought by a minority shareholder. However, based on English law authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge:

- an act which is illegal or *ultra vires* with respect to the company and is therefore incapable of ratification by the shareholders;
- an act which, although not *ultra vires*, requires authorization by a qualified (or special) majority (that is, more than a simple majority) which has not been obtained; and
- an act which constitutes a “fraud on the minority” where the wrongdoers are themselves in control of the company.

Indemnification of Directors and Executive Officers and Limitation of Liability

The Cayman Companies Law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against dishonesty, willful default or fraud. Our post-listing articles provide that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person’s dishonesty, willful default or fraud, in or about the conduct of our company’s business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its 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 intend to enter into indemnification agreements with our directors and executive officers that will provide such persons with additional indemnification beyond that provided in our post-listing articles.

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

Anti-Takeover Provisions in Our Articles

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

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

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 act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interests of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

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

Shareholder Proposals

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

The Cayman Companies Law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our post-listing articles allow our shareholders holding in aggregate not less than one-third of the 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. Our post-listing articles provide no other right to put any proposals before annual general meetings or extraordinary general meetings. As a Cayman Islands exempted company, we are not obligated by law to call shareholders' annual general meetings. However, our corporate governance guidelines require us to call such meetings every year.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. Cayman Islands law does not prohibit cumulative voting, but our post-listing articles 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-listing articles, directors may be removed by ordinary resolution of our shareholders.

Transactions with Interested Shareholders

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

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

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board of directors.

Under the Cayman Companies Law, our company may be wound up by either a special resolution of our shareholders or, if our company is unable to pay its debts as they fall due, by an ordinary resolution of our shareholders. In addition, a company may be wound up by an order of the courts of the Cayman Islands. 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.

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 our post-listing articles, if our share capital is divided into more than one class of shares, we may materially and adversely vary the rights attached to any class only with the consent in writing of the holders of not less than three-fourths of the shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

Amendment of Governing Documents

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

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by our post-listing articles 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 post-listing articles governing the ownership threshold above which shareholder ownership must be disclosed.

Directors' Power to Issue Shares

Under our post-listing articles, our board of directors is empowered to issue or allot shares or grant options, with or without preferred, deferred, qualified or other special rights or restrictions whether in regard to voting, dividends, return of share capital or otherwise, to the extent of available authorized but unissued shares. Our post-listing articles also authorize our board of directors to divide shares into any number of classes and series, and the variation in the relative rights (including voting, dividend and redemption rights), restrictions, preferences, privileges and payment obligations as between the different classes and series shall be fixed and determined by the board of directors.

Description of Debt Securities, Warrants and Rights and Other Securities (Items 12.A, 12.B and 12.C of Form 20-F)

Not applicable.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

Citibank, N.A. acts as the depository for the American Depositary Shares. Citibank's depository offices are located at 388 Greenwich Street, New York, New York 10013. The depository typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Citibank, N.A.—Hong Kong, located at 9/F, Citi Tower, One Bay East, 83 Hon Hai Road, Kwun Tong, Kowloon, Hong Kong.

We are providing you with a summary description of the material terms of the ADSs and of your material rights as an owner of ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. We urge you to review the deposit agreement in its entirety. The portions of this summary description that are italicized describe matters that may be relevant to the ownership of ADSs but that may not be contained in the deposit agreement.

Each ADS represents the right to receive, and to exercise the beneficial ownership interests in, five Class A ordinary shares are on deposit with the depository and/or custodian. An ADS also represents the right to receive, and to exercise the beneficial interests in, any other property received by the depository or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations. We and the depository may agree to change the ADS-to-Share ratio by amending the deposit agreement. This amendment may give rise to, or change, the depository fees payable by ADS owners. The custodian, the depository and their respective nominees will hold all deposited property for the benefit of the holders and beneficial owners of ADSs. The deposited property does not constitute the proprietary assets of the depository, the custodian or their nominees. Beneficial ownership in the deposited property will under the terms of the deposit agreement be vested in the beneficial owners of the ADSs. The depository, the custodian and their respective nominees will be the record holders of the deposited property represented by the ADSs for the benefit of the holders and beneficial owners of the corresponding ADSs. A beneficial owner of ADSs may or may not be the holder of ADSs. Beneficial owners of ADSs will be able to receive, and to exercise beneficial ownership interests in, the deposited property only through the registered holders of the ADSs, the registered holders of the ADSs (on behalf of the applicable ADS owners) only through the depository, and the depository (on behalf of the owners of the corresponding ADSs) directly, or indirectly, through the custodian or their respective nominees, in each case upon the terms of the deposit agreement.

If you become an owner of ADSs, you will become a party to the deposit agreement and therefore will be bound to its terms and to the terms of any ADR that represents your ADSs. The deposit agreement and the ADR specify our rights and obligations as well as your rights and obligations as owner of ADSs and those of the depository. As an ADS holder you appoint the depository to act on your behalf in certain circumstances. The deposit agreement and the ADRs are governed by New York law. However, our obligations to the holders of Class A ordinary shares will continue to be governed by the laws of the Cayman Islands, which may be different from the laws in the United States.

In addition, applicable laws and regulations may require you to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. You are solely responsible for complying with such reporting requirements and obtaining such approvals. Neither the depository, the custodian, us or any of their or our respective agents or affiliates shall be required to take any actions whatsoever on your behalf to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

As an owner of ADSs, we will not treat you as one of our shareholders and you will not have direct shareholder rights. The depository will hold on your behalf the shareholder rights attached to the Class A ordinary shares underlying your ADSs. As an owner of ADSs you will be able to exercise the shareholders rights for the Class A ordinary shares represented by your ADSs through the depository only to the extent contemplated in the deposit agreement. To exercise any shareholder rights not contemplated in the deposit agreement you will, as an ADS owner, need to arrange for the cancellation of your ADSs and become a direct shareholder.

The manner in which you own the ADSs (e.g., in a brokerage account vs. as registered holder, or as holder of certificated vs. uncertificated ADSs) may affect your rights and obligations, and the manner in which, and extent to which, the depository's services are made available to you. As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name, through a brokerage or safekeeping account, or through an account established by the depository in your name reflecting the registration of uncertificated ADSs directly on the books of the depository (commonly referred to as the "direct registration system" or "DRS"). The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depository. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depository to the holders of the ADSs. The direct registration system includes automated transfers between the depository and The Depository Trust Company ("DTC"), the central book-entry clearing and settlement system for equity securities in the United States. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. The procedures of such clearing and settlement systems may limit your ability to exercise your rights as an owner of ADSs. Please consult with your broker or bank if you have any questions concerning these limitations and procedures. All ADSs held through DTC will be registered in the name of a nominee of DTC. This summary description assumes you have opted to own the ADSs directly by means of an ADS registered in your name and, as such, we will refer to you as the "holder." When we refer to "you," we assume the reader owns ADSs and will own ADSs at the relevant time.

The registration of the Class A ordinary shares in the name of the depository or the custodian shall, to the maximum extent permitted by applicable law, vest in the depository or the custodian the record ownership in the applicable Class A ordinary shares with the beneficial ownership rights and interests in such Class A ordinary shares being at all times vested with the beneficial owners of the ADSs representing the Class A ordinary shares. The depository or the custodian shall at all times be entitled to exercise the beneficial ownership rights in all deposited property, in each case only on behalf of the holders and beneficial owners of the ADSs representing the deposited property.

Dividends and Distributions

As a holder of ADSs, you generally have the right to receive the distributions we make on the securities deposited with the custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders of ADSs will receive such distributions under the terms of the deposit agreement in proportion to the number of ADSs held as of the specified record date, after deduction of the applicable fees, taxes and expenses.

Distributions of Cash

Whenever we make a cash distribution for the securities on deposit with the custodian, we will deposit the funds with the custodian. Upon receipt of confirmation of the deposit of the requisite funds, the depository will arrange for the funds received in a currency other than U.S. dollars to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to the laws and regulations of the Cayman Islands.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States. The depository will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The distribution of cash will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. The depository will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depository holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States.

Distributions of Shares

Whenever we make a free distribution of Class A ordinary shares for the securities on deposit with the custodian, we will deposit the applicable number of Class A ordinary shares with the custodian. Upon receipt of confirmation of such deposit, the depository will either distribute to holders new ADSs representing the Class A ordinary shares deposited or modify the ADS-to-Class A ordinary shares ratio, in which case each ADS you hold will represent rights and interests in the additional Class A ordinary shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-Class A ordinary shares ratio upon a distribution of Class A ordinary shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depository may sell all or a portion of the new Class A ordinary shares so distributed.

No such distribution of new ADSs will be made if it would violate a law (e.g., the U.S. securities laws) or if it is not operationally practicable. If the depositary does not distribute new ADSs as described above, it may sell the Class A ordinary shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of Rights

Whenever we intend to distribute rights to subscribe for additional Class A ordinary shares, we will give prior notice to the depositary and we will assist the depositary in determining whether it is lawful and reasonably practicable to distribute rights to subscribe for additional ADSs to holders.

The depositary will establish procedures to distribute rights to subscribe for additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights. The depositary is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to subscribe for new Class A ordinary shares other than in the form of ADSs.

The depositary will *not* distribute the rights to you if:

- We do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or
- We fail to deliver satisfactory documents to the depositary; or
- It is not reasonably practicable to distribute the rights.

The depositary will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary is unable to sell the rights, it will allow the rights to lapse.

Elective Distributions

Whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional shares, we will give prior notice thereof to the depositary and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the depositary in determining whether such distribution is lawful and reasonably practicable.

The depositary will make the election available to you only if it is reasonably practicable and if we have provided all of the documentation contemplated in the deposit agreement. In such case, the depositary will establish procedures to enable you to elect to receive either cash or additional ADSs, in each case as described in the deposit agreement.

If the election is not made available to you, you will receive either cash or additional ADSs, depending on what a shareholder in the Cayman Islands would receive upon failing to make an election, as more fully described in the deposit agreement.

Other Distributions

Whenever we intend to distribute property other than cash, Class A ordinary shares or rights to subscribe for additional Class A ordinary shares, we will notify the depositary in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depositary in determining whether such distribution to holders is lawful and reasonably practicable.

If it is reasonably practicable to distribute such property to you and if we provide to the depositary all of the documentation contemplated in the deposit agreement, the depositary will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary may sell all or a portion of the property received.

The depositary will *not* distribute the property to you and will sell the property if:

- We do not request that the property be distributed to you or if we request that the property not be distributed to you; or
- We do not deliver satisfactory documents to the depositary; or
- The depositary determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

Redemption

Whenever we decide to redeem any of the securities on deposit with the custodian, we will notify the depository in advance. If it is practicable and if we provide all of the documentation contemplated in the deposit agreement, the depository will provide notice of the redemption to the holders.

The custodian will be instructed to surrender the shares being redeemed against payment of the applicable redemption price. The depository will convert into U.S. dollars upon the terms of the deposit agreement the redemption funds received in a currency other than U.S. dollars and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their ADSs to the depository. You may have to pay fees, expenses, taxes and other governmental charges upon the redemption of your ADSs. If less than all ADSs are being redeemed, the ADSs to be retired will be selected by lot or on a *pro rata* basis, as the depository may determine.

Changes Affecting Class A ordinary shares

The Class A ordinary shares held on deposit for your ADSs may change from time to time. For example, there may be a change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of such Class A ordinary shares or a recapitalization, reorganization, merger, consolidation or sale of assets of the Company.

If any such change were to occur, your ADSs would, to the extent permitted by law and the deposit agreement, represent the right to receive the property received or exchanged in respect of the Class A ordinary shares held on deposit. The depository may in such circumstances deliver new ADSs to you, amend the deposit agreement, the ADRs and the applicable Registration Statement(s) on Form F-6, call for the exchange of your existing ADSs for new ADSs and take any other actions that are appropriate to reflect as to the ADSs the change affecting the Shares. If the depository may not lawfully distribute such property to you, the depository may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

Issuance of ADSs upon Deposit of Class A ordinary shares

Upon completion of our initial public offering, the Class A ordinary shares being offered pursuant to the prospectus were deposited by us with the custodian. Upon receipt of confirmation of such deposit, the depository issued ADSs to the underwriters named in the prospectus. After the closing of our initial public offering, the depository may create ADSs on your behalf if you or your broker deposit Class A ordinary shares with the custodian. The depository will deliver these ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the Class A ordinary shares to the custodian. Your ability to deposit Class A ordinary shares and receive ADSs may be limited by U.S. and Cayman Islands legal considerations applicable at the time of deposit.

The issuance of ADSs may be delayed until the depository or the custodian receives confirmation that all required approvals have been given and that the Class A ordinary shares have been duly transferred to the custodian. The depository will only issue ADSs in whole numbers.

When you make a deposit of Class A ordinary shares, you will be responsible for transferring good and valid title to the depository. As such, you will be deemed to represent and warrant that:

- The Class A ordinary shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All preemptive (and similar) rights, if any, with respect to such Class A ordinary shares have been validly waived or exercised.
- You are duly authorized to deposit the Class A ordinary shares.
- The Class A ordinary shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the ADSs issuable upon such deposit will not be, "restricted securities" (as defined in the deposit agreement).
- The Class A ordinary shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the depository may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

Transfer, Combination and Split Up of ADRs

As an ADR holder, you will be entitled to transfer, combine or split up your ADRs and the ADSs evidenced thereby. For transfers of ADRs, you will have to surrender the ADRs to be transferred to the depositary and also must:

- ensure that the surrendered ADR is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have your ADRs either combined or split up, you must surrender the ADRs in question to the depositary with your request to have them combined or split up, and you must pay all applicable fees, charges and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split up of ADRs.

Withdrawal of Class A ordinary shares Upon Cancellation of ADSs

As a holder, you will be entitled to present your ADSs to the depositary for cancellation and then receive the corresponding number of underlying Class A ordinary shares at the custodian's offices. Your ability to withdraw the Class A ordinary shares held in respect of the ADSs may be limited by U.S. and Cayman Islands law considerations applicable at the time of withdrawal. In order to withdraw the Class A ordinary shares represented by your ADSs, you will be required to pay to the depositary the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the Class A ordinary shares. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement.

If you hold ADSs registered in your name, the depositary may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary may deem appropriate before it will cancel your ADSs. The withdrawal of the Class A ordinary shares represented by your ADSs may be delayed until the depositary receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary will only accept ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your ADSs at any time except for:

- Temporary delays that may arise because (i) the transfer books for the Class A ordinary shares or ADSs are closed, or (ii) Class A ordinary shares are immobilized on account of a shareholders' meeting or a payment of dividends.
- Obligations to pay fees, taxes and similar charges.
- Restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

Voting Rights

As a holder, you generally have the right under the deposit agreement to instruct the depositary to exercise the voting rights for the Class A ordinary shares represented by your ADSs. The voting rights of holders of Class A ordinary shares are described in "Description of Share Capital." At our request, the depositary will distribute to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary to exercise the voting rights of the securities represented by ADSs. In lieu of distributing such materials, the depositary may distribute to holders of ADSs instructions on how to retrieve such materials upon request.

If the depositary timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities (in person or by proxy) represented by the holder's ADSs as follows:

- *In the event of voting by show of hands*, the depositary will vote (or cause the custodian to vote) all Class A ordinary shares held on deposit at that time in accordance with the voting instructions received from a majority of holders of ADSs who provide timely voting instructions.
- *In the event of voting by poll*, the depositary will vote (or cause the Custodian to vote) the Class A ordinary shares held on deposit in accordance with the voting instructions received from the holders of ADSs.

Securities for which no voting instructions have been received will not be voted (except (a) as set forth above in the case voting is by show of hands, (b) in the event of voting by poll, holders of ADSs in respect of which no timely voting instructions have been received shall be deemed to have instructed the depositary to give a discretionary proxy to a person designated by us to vote the Class A ordinary shares represented by such holders' ADSs; provided, however, that no such discretionary proxy shall be given with respect to any matter to be voted upon as to which we inform the depositary that (i) we do not wish such proxy to be given, (ii) substantial opposition exists, or (iii) the rights of holders of Class A ordinary shares may be adversely affected, and (c) as otherwise contemplated in the deposit agreement). Please note that the ability of the depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary in a timely manner.

Amendments and Termination

We may agree with the depositary to modify the deposit agreement at any time without your consent. We undertake to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the deposit agreement if you continue to hold your ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the Class A ordinary shares represented by your ADSs (except as permitted by law).

We have the right to direct the depositary to terminate the deposit agreement. Similarly, the depositary may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary must give notice to the holders at least 30 days before termination. Until termination, your rights under the deposit agreement will be unaffected.

After termination, the depositary will continue to collect distributions received (but will not distribute any such property until you request the cancellation of your ADSs) and may sell the securities held on deposit. After the sale, the depositary will hold the proceeds from such sale and any other funds then held for the holders of ADSs in a non-interest bearing account. At that point, the depositary will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding (after deduction of applicable fees, taxes and expenses).

In connection with any termination of the deposit agreement, the depositary may make available to owners of ADSs a means to withdraw the Class A ordinary shares represented by ADSs and to direct the depositary of such Class A ordinary shares into an unsponsored American depositary share program established by the depositary. The ability to receive unsponsored American depositary shares upon termination of the deposit agreement would be subject to satisfaction of certain U.S. regulatory requirements applicable to the creation of unsponsored American depositary shares and the payment of applicable depositary fees.

Books of Depositary

The depositary will maintain ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADSs. These facilities may be closed from time to time, to the extent not prohibited by law.

Limitations on Obligations and Liabilities

The deposit agreement limits our obligations and the depositary's obligations to you. Please note the following:

- We and the depositary are obligated only to take the actions specifically stated in the deposit agreement without negligence or bad faith.
- The depositary disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the deposit agreement.

- The depositary disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in Class A ordinary shares, for the validity or worth of the Class A ordinary shares, for any tax consequences that result from the ownership of ADSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the deposit agreement, for the timeliness of any of our notices or for our failure to give notice.
- We and the depositary will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depositary disclaim any liability if we or the depositary are prevented or forbidden from or subject to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the deposit agreement, by reason of any provision, present or future of any law or regulation, or by reason of present or future provision of any provision of our Articles of Association, or any provision of or governing the securities on deposit, or by reason of any act of God or war or other circumstances beyond our control.
- We and the depositary disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our Articles of Association or in any provisions of or governing the securities on deposit.
- We and the depositary further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Shares for deposit, any holder of ADSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the depositary also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit that is made available to holders of Class A ordinary shares but is not, under the terms of the deposit agreement, made available to you.
- We and the depositary may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.
- We and the depositary also disclaim liability for any consequential or punitive damages for any breach of the terms of the deposit agreement.
- No disclaimer of any Securities Act liability is intended by any provision of the deposit agreement.
- Nothing in the deposit agreement gives rise to a partnership or joint venture, or establishes a fiduciary relationship, among us, the depositary and you as ADS holder.
- Nothing in the deposit agreement precludes Citibank (or its affiliates) from engaging in transactions in which parties adverse to us or the ADS owners have interests, and nothing in the deposit agreement obligates Citibank to disclose those transactions, or any information obtained in the course of those transactions, to us or to the ADS owners, or to account for any payment received as part of those transactions.

Taxes

You will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. We, the depositary and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary may refuse to issue ADSs, to deliver, transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary and to the custodian proof of taxpayer status and residence and such other information as the depositary and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Foreign Currency Conversion

The depositary will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical.
- Distribute the foreign currency to holders for whom the distribution is lawful and practical.
- Hold the foreign currency (without liability for interest) for the applicable holders.

Governing Law/Waiver of Jury Trial

The deposit agreement, the ADRs and the ADSs will be interpreted in accordance with the laws of the State of New York. The rights of holders of Class A ordinary shares (including Class A ordinary shares represented by ADSs) is governed by the laws of the Cayman Islands.

AS A PARTY TO THE DEPOSIT AGREEMENT, YOU IRREVOCABLY WAIVE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, YOUR RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THE DEPOSIT AGREEMENT OR THE ADRs AGAINST US AND/OR THE DEPOSITARY, INCLUDING ANY CLAIM UNDER THE U.S. FEDERAL SECURITIES LAWS. If we or the depositary were to oppose a jury trial demand based on such waiver, the court would determine whether the waiver was enforceable based upon the facts and circumstances of that case in accordance with applicable state and federal law, including whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. The waiver of the right to a jury trial contained in the deposit agreement is not intended to be deemed a waiver by any holder or beneficial owner of ADSs of our or the depositary's compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

RUHNN HOLDING LIMITED

List of Significant Subsidiaries

1.	WuHan Investment Limited	BVI
2.	YiHnn (Hong Kong) Limited	Hong Kong
3.	Ruhnn (Hong Kong) Limited (如涵香港有限公司)	Hong Kong
4.	Hangzhou Yihan Technology Co., Ltd. (杭州一涵科技有限公司)	PRC
5.	Hangzhou Hanyi E-commerce Co., Ltd. (杭州涵意电子商务有限公司)	PRC
6.	Ruhnn Supply Chain Management Co., Ltd. (杭州如涵供应链管理有限公司)	PRC
7.	Ruhnn Cultural Communication Co., Ltd. (杭州如涵文化传播有限公司)	PRC
8.	Hangzhou Da Yi E-commerce Co., Ltd. (杭州大奕电子商务有限公司)	PRC
9.	Hangzhou Wuhan E-commerce Co., Ltd. (杭州吾韩电子商务有限公司)	PRC
10.	Hangzhou Sijiu E-commerce Co., Ltd. (杭州私久电子商务有限公司)	PRC
11.	Hangzhou Hanli E-commerce Co., Ltd. (杭州晗礼电子商务有限公司)	PRC
12.	Hangzhou Weimai Cultural Creative Co., Ltd. (杭州唯麦文化创意有限公司)	PRC
13.	Shanghai Ruhnn E-commerce Co., Ltd. (上海如涵电子商务有限公司)	PRC
14.	Hangzhou Xinhan Supply Chain Management Co., Ltd. (杭州信涵供应链管理有限公司)	PRC
15.	Hangzhou Ruhnn E-commerce Co. Ltd. (杭州如涵电子商务有限公司)	PRC
16.	Haining Yishang Apparel Co., Ltd. (海宁祎尚服饰有限公司)	PRC
17.	Hangzhou Ruhnn Inter-entertainment Technology Co., Ltd. (杭州如涵互娱网络科技有限公司)	PRC
18.	Hangzhou Libeilin E-Commerce Co., Ltd.* (杭州莉贝琳电子商务有限公司)	PRC
19.	Hangzhou Wawu E-Commerce Co., Ltd.* (杭州哇唔电子商务有限公司)	PRC
20.	Ruhnn Fashion Communication Co., Ltd.* (杭州如涵时尚文化传媒有限公司)	PRC

* These subsidiaries are established in the subsequent period after March 31, 2020.

**Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Lei Sun, certify that:

1. I have reviewed this annual report on Form 20-F of Ruhnn Holding Limited (the "Company");
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(s) 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)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 14, 2020

By: /s/ Lei Sun
Lei Sun
Director and Chief Executive Officer

**Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jacky Jinbo Wang, certify that:

1. I have reviewed this annual report on Form 20-F of Ruhnn Holding Limited (the "Company");
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(s) 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)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 14, 2020

By: /s/ Jacky Jinbo Wang
Jacky Jinbo Wang
Chief Financial Officer

**Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Ruhnn Holding Limited (the "Company") on Form 20-F for the fiscal year ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lei Sun, 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.

Date: August 14, 2020

By: /s/ Lei Sun
Lei Sun
Director and Chief Executive Officer

**Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Ruhnn Holding Limited (the "Company") on Form 20-F for the fiscal year ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jacky Jinbo Wang, Chief Financial 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.

Date: August 14, 2020

By: /s/ Jacky Jinbo Wang
Jacky Jinbo Wang
Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-233461 on Form S-8 of our report dated August 14, 2020, relating to the financial statements of Ruhn Holding Limited, appearing in this Annual Report on Form 20-F for the year ended March 31, 2020.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, the People's Republic of China
August 14, 2020