LightInTheBox Holding Co., Ltd.
Form 424B4
June 06, 2013

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Filed pursuant to Rule 424(b)(4)
Registration No. 333-187965

8,300,000 American Depositary Shares

Representing 16,600,000 Ordinary Shares

LightInTheBox Holding Co., Ltd.

This is the initial public offering of LightInTheBox Holding Co., Ltd., or LightInTheBox. We are offering 8,300,000 American Depositary Shares, or ADSs. Each ADS represents two ordinary shares, par value $0.000067 per share. The initial public offering price of the ADSs is $9.50 per ADS.

Prior to this offering, there has been no public market for the ADSs or our ordinary shares. Our ADSs have been approved for listing on the New York Stock Exchange under the symbol "LITB."

Investing in the ADSs involves risk. See "Risk Factors" beginning on page 14.

	Price to Public	**Underwriting Discounts and Commission**	**Proceeds, before Expenses**
Per ADS	$9.50	$0.6650	$8.8350
Total	$78,850,000	$5,519,500	$73,330,500

We and the selling shareholders have granted the underwriters the right to purchase up to an aggregate of 1,245,000 additional ADSs. Of the additional ADSs, we have granted the underwriters the option to purchase from us up to 192,368 additional ADSs, and the selling shareholders, which are entities controlled by Quji (Alan) GUO, Xin (Kevin) WEN, Liang ZHANG and Jun LIU, certain of our directors and executive officers, have granted the underwriters the option to purchase from them up to 1,052,632 additional ADSs.

Immediately after the completion of this offering, we will have one class of ordinary shares. Each holder of our ordinary shares is entitled to one vote per share. However, in matters related to change of control, certain founding shareholders will be entitled to three votes per share.

We are an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended, or the Securities Act, and Section 3(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Certain existing shareholders of our company, namely, the Ceyuan Entities, GSR Ventures III, L.P. and Trustbridge Partners III, L.P., and certain of their affiliates have subscribed for, and have been allocated by the underwriters, an aggregate of 1,368,420 ADSs offered in this offering at the initial public offering price and on the same terms as the other ADSs being offered in this offering.

The Securities and Exchange Commission and state securities commissions have not approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on or about June 11, 2013.

Credit Suisse | Stifel

Pacific Crest Securities | **Oppenheimer & Co.** | **China Renaissance Securities (Hong Kong) Limited**

The date of this prospectus is June 5, 2013.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide information different from that contained in this prospectus. We are offering to sell and seeking offers to buy ADSs only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the ADSs.

We have not taken any action to permit a public offering of the ADSs outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the ADSs and the distributions of this prospectus outside the United States.

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PROSPECTUS SUMMARY

This summary highlights selected information contained in greater detail elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in the ADSs. You should carefully read the entire prospectus, including "Risk Factors" and the financial statements, before making an investment decision.

Overview

LightInTheBox is a global online retail company that delivers products directly to consumers around the world. We offer customers a convenient way to shop for a wide selection of lifestyle products at attractive prices through *www.lightinthebox.com*, *www.miniinthebox.com* and our other websites, which are available in 17 major languages and cover more than 80.0% of Internet users globally, according to Internet World Stats. Our innovative data-driven business model allows us to offer customized products at scale for optimal marketing, merchandising and fulfillment. We have built an effective business model whereby we source most of our products directly from China-based manufacturers and we work closely with them to re-engineer their manufacturing processes to achieve faster time-to-market with a greater variety of products. We acquire customers exclusively through the Internet and serve our customers from our cost-effective locations in mainland China and Hong Kong. In 2012, we ranked number one in terms of revenue generated from customers outside of China among all China-based retail websites that source products from third-party manufacturers, according to a report conducted at our request by iResearch, an independent market research firm.

We target lifestyle product categories where consumers value choice or customization. We believe that by offering more variety and personalization we will be able to create and capture new consumer demand. We offer products in the three core categories of apparel, small accessories and gadgets and home and garden, representing categories with the fastest net revenue growth in terms of absolute amount in 2012. The products of our core categories generally require design specificity, thus giving us more pricing flexibility and allowing us to capture higher margin potentials. At any time, a customer shopping for a special occasion dress on our site can have her dress made-to-measure, choosing from more than 4,300 distinctive designs. As of March 31, 2013, we had more than 220,000 product listings. In the three months ended March 31, 2013, we added an average of more than 14,000 new product listings each month.

We serve consumers globally without incurring the costs and complexities associated with establishing a traditional multinational retail infrastructure. Our major markets are Europe and North America. We use global online marketing platforms such as Google and Facebook to reach our consumers, we accept payments through all major credit cards and electronic payment platforms such as PayPal and we deliver our goods through major international couriers, including UPS, DHL and FedEx.

We believe that being a China-based company provides important advantages in supply chain management. We strive to source high quality products directly from some of the most competitive manufacturers in the strongest supply ecosystems. By locating our sourcing offices near some of the most competitive factories, we realize cost advantages and just-in-time inventory management as we create effective supplier competition while maximizing the quality of our products. Our suppliers benefit from working closely with our in-house manufacturing experts to re-engineer their manufacturing processes to achieve faster time-to-market for our products and enable large scale production of individually customized products.

To acquire and retain customers across diverse geographic markets, we have developed proprietary technologies to manage and optimize our large-scale technical and marketing operations. In addition, we have established a specialized social marketing team that uses creative interactive activities to

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engage online users. We provide a user-friendly online shopping experience and intelligent product recommendation algorithms to facilitate purchasing decisions.

We have developed a proprietary technology platform that integrates every aspect of our business operations, including global marketing, online shopping platforms, supply chain management, fulfillment, logistics and customer service. Our founders have extensive experience and expertise in software development. We have made significant investments in software research and development to improve operational efficiency and enable business innovation.

We have grown significantly since we commenced our operations. Our net revenues grew from $6.3 million in 2008 to $200.0 million in 2012. Our net revenues were $73.3 million in the three months ended March 31, 2013. The number of our customers increased from approximately 36,000 in 2008 to approximately 2.5 million in 2012. The number of our customers was approximately 1.1 million in the three months ended March 31, 2013. We experienced a net loss of $3.0 million, $4.8 million, $21.9 million, $24.5 million and $4.2 million in 2008, 2009, 2010, 2011 and 2012, respectively. We generated net income of $2.6 million for the three months ended March 31, 2013. We also used cash in operating activities of $2.1 million, $2.3 million, $19.9 million and $14.1 million in 2008, 2009, 2010 and 2011, respectively. We generated $7.4 million and $6.6 million in cash from operating activities in 2012 and the three months ended March 31, 2013, respectively.

Industry Background

Global online retail sales continue to experience robust growth. According to Euromonitor International, or Euromonitor, global online retail sales are expected to grow at a compound annual growth rate, or CAGR, of 17.7% from $521 billion in 2012 to $849 billion in 2015. Online retail penetration remains low in major markets around the world, but has and is expected to continue to increase over time. For example, according to Euromonitor, online retail sales as a percentage of total retail sales in the United States increased from 4.2% in 2008 to 6.5% in 2012, and is expected to increase further to 8.9% by 2015.

In addition, there are significant differences in online retail penetration across different product categories. For example, in the United States, online retail penetration in 2012 is 28.3% for consumer electronics products but only 6.9% for apparel and 3.9% for home and garden, according to Euromonitor. We believe that these underpenetrated categories present significant future growth opportunities for online retailing.

China has become a major manufacturing hub for consumer goods for global brands and smaller China-based exporters. According to iResearch, the Chinese consumer goods export market is expected to grow from $1,270 billion in 2012 to $1,983 billion in 2015, representing a CAGR of 16.0%. Historically, major product categories for Chinese consumer goods exports have included apparel and electronics, where China has a strong competitive advantage in manufacturing due to its unique ability to provide high levels of skill, customization and attention to detail, all at affordable prices.

We believe that there are increasing opportunities for China-based companies to participate in global online retailing. They enjoy access to a large, low-cost export-oriented manufacturing base, global payment and logistics solutions and globally scalable online marketing. In addition, declining trade barriers have contributed significantly to the expansion of world trade. According to iResearch, the global online retail market for direct-to-consumer China-made goods is expected to grow from $1.7 billion in 2012 to $9.0 billion in 2015, representing a CAGR of 75.8%.

However, the market remains heavily fragmented with many smaller companies. We believe these companies are faced with significant challenges associated with achieving scale; they must customize shopping experiences, manage online marketing across multiple languages, understand consumer needs across diverse geographic markets and maintain scalable and integrated technology, fulfillment and

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logistics infrastructures. As a result, we believe there is an attractive opportunity for large scale, well-capitalized companies to capture market share, achieve economies of scale, build brand equity and establish best practices.

Our Strengths

We believe we are a first mover in offering consumers around the world an attractive online shopping experience by fully capitalizing on direct sourcing from China-based suppliers. We believe the following strengths contribute to our success and differentiate us from our competitors:

- scalable business model designed for global reach;
- supply chain optimization for faster time-to-market and product variety;
- distinctive products optimized for online merchandising;
- sophisticated online marketing capabilities;
- advanced technology platform that enables business innovation; and
- global operations with cost advantages from our base operations in China.

Our Strategies

Our goal is to become a leading global online retail company that revolutionizes the way people shop and manufacturers produce their merchandise. We have built an organization with unique competitive advantages that can provide us with long-term sustainable growth. We plan to execute the following key strategies in order to increase customer base and loyalty, improve marketing and sourcing efficiency, reduce operational costs and establish brand preference:

- enhance our customer experience to grow our customer base;
- expand and strengthen our product offerings;
- strengthen our supply chain management and efficiency;
- optimize our logistics network and infrastructure;
- deepen our market penetration globally and build stronger brand awareness; and
- invest in our technology platform.

Our Challenges

Our ability to achieve our goal and execute our strategies is subject to risks and uncertainties, including the following:

- our limited operating history and historical losses may make our growth and future prospects uncertain and difficult to evaluate;

- the online retail industry is intensely competitive and we may not compete successfully against new and existing competitors, which may materially and adversely affect our results of operations;

- our failure to quickly identify and adapt to changing industry conditions may have a material and adverse effect on our business, financial condition and results of operations;

- we have incurred net losses since our inception and prior to 2012 experienced negative cash flow from operating activities, and we may continue to incur net losses and experience negative cash

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- flow from operating activities and, as a result, we may need to obtain additional capital in the future;

- any failure to manage our growth or execute our strategies effectively may materially and adversely affect our business and prospects;

- products manufactured by our suppliers may be defective or inferior in quality or infringe on the intellectual property rights of others, which may materially and adversely affect our business and our reputation; and

- we may have difficulties managing our marketing efforts and may face increased competition in our marketing efforts, which could materially and adversely affect our business and growth prospects.

We also face other risks and uncertainties that may materially affect our business, financial conditions, results of operations and prospects. You should consider the risks discussed in "Risk Factors" and elsewhere in this prospectus before investing in the ADSs.

Our Corporate Structure

We were founded in June 2007 and operated our business and our *www.lightinthebox.com* and *www.miniinthebox.com* websites through Light In The Box Limited, our wholly owned subsidiary incorporated in Hong Kong.

In March 2008, we incorporated LightInTheBox Holding Co., Ltd. in the Cayman Islands, as our ultimate holding company. In June 2008, we established Shenzhen Lanting Huitong Technologies Co., Ltd., or Lanting Huitong, a variable interest entity, or VIE, in the PRC. In October 2008, we incorporated our wholly owned subsidiary in the PRC, Lanting Jishi Trade (Shenzhen) Co. Ltd., or Lanting Jishi. In December 2011, we established our new VIE, Beijing Lanting Gaochuang Technologies Co., Ltd., or Lanting Gaochuang, in the PRC.

We primarily conduct our operations through our Hong Kong subsidiary, Light In The Box Limited and our PRC subsidiary, Lanting Jishi. We generate most of our revenues from the operations of Light In The Box Limited. In 2010, 2011, 2012 and the three months ended March 31, 2013, we derived 91.2%, 94.6%, 98.0% and 99.0%, respectively, of our consolidated net revenues from Light In The Box Limited. We derived 0.9%, 1.1%, 0.6% and 0.7% of our consolidated net revenues from Lanting Jishi for the same periods, respectively. Lanting Huitong operates our domestic PRC websites through its subsidiary, Shanghai Ouku Network Technologies Co., Ltd., or Shanghai Ouku. Lanting Gaochuang is responsible for certain research and development functions. We control both Lanting Huitong and Lanting Gaochuang through a series of contractual arrangements. We derived an aggregate of 7.9%, 4.3%, 1.4% and 0.3% of our consolidated net revenues from our VIEs and Shanghai Ouku in 2010, 2011, 2012 and the three months ended March 31, 2013, respectively.

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The following diagram illustrates our corporate structure as of the date of this prospectus:

(1) Such arrangements include exclusive technical and consulting service agreements, business operation agreements, equity disposal agreements, share pledge agreements, powers of attorney, spousal consent letters (applicable only to Lanting Huitong) and a loan agreement (applicable only to Lanting Gaochuang).

(2) The shareholders of Shenzhen Lanting Huitong Technologies Co. Ltd. are Mr. Quji (Alan) GUO, our chairman and chief executive officer, Mr. Xin (Kevin) WEN, our director and co-president, Mr. Liang ZHANG, our director and co-president, and Mr. Jun LIU, our senior vice-president of operations.

(3) Mr. Quji (Alan) GUO holds the other 51% of the equity interest in Beijing Lanting Gaochuang Technologies Co., Ltd.

Foreign ownership of Internet-based businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates Internet access, the distribution of online information and the conduct of online commerce in China through strict business licensing requirements and other government regulations.

We are a Cayman Islands company and our wholly owned PRC subsidiary, Lanting Jishi, is a wholly foreign owned enterprise. Cayman Islands companies and wholly foreign owned PRC enterprises are restricted from holding certain licenses related to the distribution of online information and the conduct of online commerce in China. Accordingly, we operate our domestic websites in China through Lanting Huitong, which we control through a series of contractual arrangements, and its subsidiary, Shanghai Ouku. We conduct certain research and development functions through Lanting Gaochuang, which we control through similar contractual arrangements.

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The registered shareholders of Lanting Huitong are our directors and executive officers who hold our shares, Mr. Quji (Alan) GUO, Mr. Xin (Kevin) WEN, Mr. Liang ZHANG and Mr. Jun LIU. The registered shareholders of Lanting Gaochuang are Mr. GUO and Lanting Huitong. We do not have equity interest in Lanting Huitong, Shanghai Ouku or Lanting Gaochuang. However, as a result of these contractual arrangements, we are considered the primary beneficiary of Lanting Huitong, Shanghai Ouku and Lanting Gaochuang, and we treat them as our consolidated affiliated entities under generally accepted accounting principles in the United States, or U.S. GAAP. We have consolidated the financial results of these companies in our consolidated financial statements in accordance with U.S. GAAP. We derived an aggregate of 7.9%, 4.3%, 1.4% and 0.3% of our consolidated net revenues from our VIEs and Shanghai Ouku in 2010, 2011, 2012 and the three months ended March 31, 2013, respectively.

We control Lanting Huitong and Lanting Gaochuang through a series of contractual arrangements, including:

- equity disposal agreements granting Lanting Jishi, or its designee, exclusive options to purchase all or part of the equity interests in our VIEs with the minimum amount of consideration permissible under PRC law;

- business operation agreements, pursuant to which our VIEs may not enter into any material transaction without prior written consent from Lanting Jishi, or its designee, and Lanting Jishi has the right to nominate directors, supervisors and senior managers of our VIEs;

- exclusive technical support and consulting service agreements, pursuant to which our VIEs pay Lanting Jishi a service fee equal to substantially all of their net income in exchange for technology support and consulting services;

- share pledge agreements, pursuant to which shareholders of our VIEs pledged all of their equity interest in our VIEs in favor of Lanting Jishi to secure our VIEs and their shareholders' obligations under these contractual arrangements and, if our VIEs or any of their shareholders breach any of their contractual obligations under these arrangements, Lanting Jishi will be entitled to sell the pledged equity interest;

- powers of attorney executed by shareholders of our VIEs appointing Lanting Jishi to be their attorney-in-fact, and to vote on their behalf on all the matters concerning our VIEs that may require shareholders' approval;

- spousal consent letters executed by spouses of certain shareholders of Lanting Huitong, acknowledging that a certain percentage of the equity interest in Lanting Huitong held by their spouses will be disposed of pursuant to the equity disposal agreement and share pledge agreement; and

- a loan agreement, pursuant to which Lanting Jishi extended a loan in the amount of RMB255,000 to Mr. GUO to fund his contribution of 51% of the registered capital of Lanting Gaochuang.

The powers of attorney will be valid as long as the registered shareholders remain as shareholders of our VIEs. The share pledge agreements will be valid until our VIEs and their shareholders fulfill all contractual obligations under the business operation agreements. The loan agreement has a term of ten years and will be extended automatically, unless indicated otherwise by Lanting Jishi in writing three months prior to the contract expiration date. The equity disposal agreements will be valid until Lanting Jishi or its designee purchases all of the shares from shareholders of the VIEs. The technical support and consulting service agreements, the business operation agreements and the spousal consent letters will remain valid until the liquidation of our VIEs, unless terminated earlier at Lanting Jishi's sole discretion.

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For a description of these contractual arrangements, see "Our History and Corporate Structure." For a detailed description of the regulatory environment that necessitates the adoption of our corporate structure, see "Regulations." For a detailed description of the risks associated with our corporate structure and the contractual arrangements that support our corporate structure, including risks and uncertainties regarding the validity of these contracts, the control that these contracts grant us, our relationships with the shareholders of our VIEs, the consequences of our VIEs' bankruptcy and adverse tax consequences of these contracts, see "Risk Factors Risks Related to Our Corporate Structure."

Voting Rights

Immediately after the completion of this offering, we will have one class of ordinary shares. Each holder of our ordinary shares is entitled to one vote per share. However, in matters related to change of control, pursuant to our fourth amended and restated memorandum and articles of association, which will become effective upon the completion of this offering, Wincore Holdings Limited, a British Virgin Islands company wholly owned by Mr. Quji (Alan) GUO, our chairman and chief executive officer, Vitz Holdings Limited, a British Virgin Islands company wholly owned by Mr. Xin (Kevin) WEN, our director and co-president, and Clinet Investments Limited, a British Virgin Islands company wholly owned by Mr. Liang ZHANG, our director and co-president, will be entitled to three votes per share, and each other holder is entitled to one vote per share. See "Description of Share Capital Ordinary Shares Voting Rights."

Our Corporate Information

Our principal executive offices are located at Building 2, Area D, Floor 1-2, Diantong Times Square, No. 7 Jiuxianqiao North Road, Chaoyang District, Beijing 100020, People's Republic of China. Our telephone number at this address is +86-10-5692-0099 and our fax number is +86-10-5908-0270. Our registered office in the Cayman Islands is located at the office of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., 400 Madison Avenue, 4th Floor, New York, New York 10017. Our website is *http://www.lightinthebox.com*. Information on or from our website is not a part of this prospectus.

Conventions That Apply to This Prospectus

Unless where the context otherwise requires, references in this prospectus to:

- "ADRs" are to the American depositary receipts, which, if issued, evidence the ADSs;
- "ADSs" are to the American depositary shares, each of which represents two ordinary shares;
- "China" and the "PRC" are to the People's Republic of China, excluding, for the purposes of this prospectus only, Taiwan and the special administrative regions of Hong Kong and Macau;
- "shares" or "ordinary shares" are to our ordinary shares, par value $0.000067 per share;
- "North America" are to, for the purposes of this prospectus only, the United States and Canada;
- "repeat customers" are to customers who have purchased products from us more than once since our inception;
- "RMB" and "Renminbi" are to the legal currency of China;

"we," "us," "our company" and "our" are to LightInTheBox Holding Co., Ltd., its consolidated subsidiaries and its VIEs, Lanting Huitong and Lanting Gaochuang, and Shanghai Ouku, the subsidiary of Lanting Huitong; and

"$," "dollars" and "U.S. dollars" are to the legal currency of the United States.

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Our reporting and functional currency is the U.S. dollar. In addition, this prospectus also contains translations of certain foreign currency amounts into U.S. dollars for the convenience of the reader. Unless otherwise stated, all translations of Renminbi into U.S. dollars were made at RMB6.2108 to $1.00, the noon buying rate on March 29, 2013 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. We make no representation that the Renminbi or U.S. dollar amounts referred to in this prospectus 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 May 31, 2013, the noon buying rate for Renminbi was RMB6.1340 to $1.00.

Unless the context indicates otherwise, all share and per share data in this prospectus give effect to a share split in 2009 in which each of the previously issued ordinary shares, share options, nonvested restricted ordinary shares issued to certain of our founders, or founders' nonvested shares, and preferred shares were split into 1.5 ordinary shares, share options, founders' nonvested shares and preferred shares, respectively.

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THE OFFERING

ADSs Offered by Us	8,300,000 ADSs
ADSs Outstanding Immediately After This Offering	8,300,000 ADSs (or 9,545,000 ADSs if the underwriters exercise in full their option to purchase additional ADSs)
Ordinary Shares Outstanding Immediately After This Offering	97,912,269 ordinary shares (or 98,297,005 ordinary shares if the underwriters exercise in full their option to purchase additional ADSs).
Option to Purchase Additional ADSs	We and the selling shareholders have granted the underwriters the right to purchase up to an aggregate of 1,245,000 additional ADSs. Of the additional ADSs, we have granted the underwriters the option to purchase from us up to 192,368 additional ADSs, and the selling shareholders, which are entities controlled by Quji (Alan) GUO, Xin (Kevin) WEN, Liang ZHANG and Jun LIU, certain of our directors and executive officers, have granted the underwriters the option to purchase from them up to 1,052,632 additional ADSs.
The ADSs	Each ADS represents two ordinary shares. The ADSs will initially be evidenced by ADRs. The depositary will be the holder of the ordinary shares underlying the ADSs and you will have the rights of an ADS holder as provided in the deposit agreement among us, the depositary and holders and beneficial owners of ADSs from time to time. You may surrender your ADSs to the depositary to withdraw the ordinary shares underlying your ADSs. The depositary will charge you a fee for such an exchange. We may amend or terminate the deposit agreement for any reason without your consent. Any amendment that imposes or increases fees or charges or which materially prejudices any substantial existing right you have as an ADS holder will not become effective as to outstanding ADSs until 30 days after notice of the amendment is given to ADS holders. If an amendment becomes effective, you will be bound by the deposit agreement as amended if you continue to hold your ADSs. To better understand the terms of the ADSs, you should carefully read the section in this prospectus entitled "Description of American Depositary Shares." We also encourage you to read the deposit agreement, which is an exhibit to the registration statement that includes this prospectus.

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Use of Proceeds	We estimate that we will receive net proceeds of approximately $70.1 million from this offering (or approximately $71.8 million if the underwriters exercise their option to purchase additional ADSs in full), after deducting estimated underwriter discounts, commissions and estimated offering expenses payable by us. We plan to use net proceeds of this offering to finance our business operations, including the following: approximately $15 million for investment in fulfillment and technology infrastructure; approximately $15 million for the expansion of product offerings and categories; approximately $15 million for customer acquisition and brand building; approximately $1.1 million for payment of interest accrued for our convertible notes issued in March 2012; and the balance for general corporate purposes. We will not receive any of the proceeds from the sale of the ADSs by the selling shareholders.
Risk Factors	See "Risk Factors" and other information included in this prospectus for a discussion of the risks relating to investing in the ADSs. You should carefully consider these risks before deciding to invest in the ADSs.
NYSE Trading Symbol	LITB
Lock-up	We, each of our officers, directors and existing shareholders and all of our option holders have agreed, subject to certain exceptions, with the underwriters not to sell, transfer or dispose of any ADSs, ordinary shares or similar securities for a period of 180 days after the date of this prospectus. See "Shares Eligible for Future Sale" and "Underwriting." At our request, the underwriters have reserved for sale, at the initial public offering price, up to an aggregate of 415,000 ADSs offered in this offering to some of our directors, officers, employees, business associates and related persons through a directed share program.
Depositary	The Bank of New York Mellon

The number of ordinary shares that will be outstanding immediately after this offering is 97,912,269, which is based upon (i) 36,108,965 ordinary shares outstanding as of the date of this prospectus, (ii) the automatic conversion of preferred shares into 42,174,290 ordinary shares immediately upon the completion of this offering, (iii) the automatic conversion of our convertible notes into 2,224,610 ordinary shares immediately upon the completion of this offering, based on a conversion price of $3.60 per ordinary share, which, pursuant to the convertible notes, is calculated by dividing $350 million by the sum of (x) total ordinary shares and preferred shares outstanding immediately prior to the completion of our initial public offering and (y) total shares available for issuance under the Amended and Reinstated 2008 Share Incentive Plan, with the result multiplied by

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0.85, (iv) 804,404 vested but not yet legally issued restricted shares as of the date of this prospectus, which will be issued immediately upon the completion of this offering, and (v) 16,600,000 ordinary shares issued in connection with this offering (assuming the underwriters do not exercise their option to purchase additional ADSs), but excludes:

- 2,067,500 and 1,524,538 ordinary shares issuable upon the exercise of share options outstanding and vesting of restricted shares issued to employees, respectively, as of the date of this prospectus; and

- 48,002 ordinary shares reserved for future award grants under our equity incentive plans.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The summary consolidated statements of operations data for 2010, 2011 and 2012, and the summary consolidated balance sheet data as of December 31, 2011 and 2012 are derived from our audited consolidated financial statements included elsewhere in this prospectus. Our audited consolidated financial statements are prepared in accordance with U.S. GAAP and have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm. The report of Deloitte Touche Tohmatsu Certified Public Accountants LLP on those consolidated financial statements is also included elsewhere in this prospectus. Our summary consolidated statements of operations data for 2008 and 2009 and the summary consolidated balance sheet data as of December 31, 2008, 2009 and 2010 has been derived from our audited consolidated financial statements not included in this prospectus.

The summary consolidated statement of operations data for the three months ended March 31, 2012 and 2013 and the summary consolidated balance sheet data as of March 31, 2013 have been derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and include all normal recurring adjustments that we consider necessary for a fair presentation of our financial position and operating results for the periods presented.

The following summary consolidated financial data for the periods and as of the dates indicated are qualified by reference to, and should be read in conjunction with, our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," both of which are included elsewhere in this prospectus.

Our historical results for any prior period do not necessarily indicate our results to be expected for any future period.

	Year Ended December 31,					Three Months Ended March 31,	
	2008	2009	2010	2011	2012	2012	2013
	(U.S. dollars in thousands, except per share data)						
Summary Consolidated Statements of Operations Data							
Net revenues	$ 6,256	$ 26,051	$ 58,694	$ 116,230	$ 200,010	$ 36,887	$ 73,310
Cost of goods sold	4,872	17,757	41,580	77,465	116,465	22,095	40,047
Gross profit	1,384	8,294	17,114	38,765	83,545	14,792	33,263
Operating expenses*							
Fulfillment	363	1,272	3,517	7,124	10,088	2,038	3,729
Selling and marketing	2,379	5,487	22,607	38,465	53,418	10,786	18,335
General and administrative	1,686	6,361	12,347	16,660	22,369	4,900	7,997
Impairment loss on goodwill and intangible assets				1,928			
(Loss) income from operations	(3,044)	(4,826)	(21,357)	(25,412)	(2,330)	(2,932)	3,202
Net (loss) income	(3,044)	(4,821)	(21,923)	(24,531)	(4,230)	(2,979)	2,610
Accretion for Series C convertible redeemable preferred shares			700	2,800	2,971	700	938
Net (loss) income attributable to ordinary shareholders	(3,044)	(4,821)	(22,623)	(27,331)	(7,201)	(3,679)	1,672
Net (loss) income per ordinary share:							
Basic	(0.50)	(0.13)	(0.62)	(0.76)	(0.20)	(0.10)	0.02
Diluted	(0.50)	(0.13)	(0.62)	(0.76)	(0.20)	(0.10)	0.02

* Includes share-based compensation expenses as follows:

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	Year Ended December 31,					Three Months Ended March 31,	
	2008	2009	2010	2011	2012	2012	2013
	(U.S. dollars in thousands)						
Share-Based Compensation Data							
Fulfillment	$	$ 12	$ 12	$ 13	$ 10	$ 3	$ 2
Selling and marketing	3	92	31	90	117	33	25
General and administrative	374	1,411	1,418	1,990	2,568	726	392
Total share-based compensation expenses	377	1,515	1,461	2,093	2,695	762	419

	Year Ended December 31,					Three Months Ended March 31,	
	2008	2009	2010	2011	2012	2012	2013
Other Consolidated Financial Data							
Gross margin[1]	22.1%	31.8%	29.2%	33.4%	41.8%	40.1%	45.4%

(1) Gross margin represents gross profit as a percentage of net revenues.

	As of December 31,					As of March 31,
	2008	2009	2010	2011	2012	2013
	(U.S. dollars in thousands)					
Summary Consolidated Balance Sheet Data						
Cash and cash equivalents	$ 2,798	$ 6,081	$ 23,439	$ 6,786	$ 19,972	$ 25,949
Inventories	535	757	4,931	4,965	5,753	4,894
Total current assets	3,717	13,951	34,032	17,671	37,753	41,721
Total assets	4,137	14,567	37,184	19,640	39,838	44,171
Total current liabilities	1,827	4,209	11,979	17,202	36,847	38,158
Total liabilities	1,827	4,209	12,251	17,202	36,847	38,158
Series C convertible redeemable preferred shares			35,700	38,500	41,471	42,409
Total equity (deficit)	2,395	10,358	(10,767)	(36,062)	(38,480)	(36,396)

	Year Ended December 31,					Three Months Ended March 31,	
	2008	2009	2010	2011	2012	2012	2013
	(in thousands, unless otherwise stated)						
Operating Data							
Number of customers	36	166	461	948	2,479	395	1,128
Revenue attributed to repeat customers	n/a(1)	4,008	8,751	20,886	49,384	8,236	21,679
Revenue attributed to new customers	n/a(1)	22,043	49,943	95,344	150,626	28,651	51,631
Growth in revenue attributed to repeat customers[2] (percentage)	n/a(1)	n/a(1)	118.3	138.7	136.4	20.3	18.6

(1)

As we had only begun to operate our business towards the end of 2007, we did not track revenue contributed by repeat customers in 2008. As a result, no data for growth in revenue attributed to repeat customers was available in 2008 and 2009.

(2) "Growth in revenue attributed to repeat customers" refers to, in percentage, the difference between (i) revenue attributed to repeat customers for a given period and (ii) revenue attributed to repeat customers for the prior period, divided by revenue attributed to repeat customers from such prior period.

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RISK FACTORS

You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the ADSs. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of the ADSs could decline, and you may lose all or part of your investment.

Risks Related to Our Business and Industry

Our limited operating history may make our growth and future prospects uncertain and difficult to evaluate.

We launched our website, *www.lightinthebox.com,* in 2007. Our limited operating history may not provide a meaningful basis to evaluate our business. It may be difficult for you to make accurate predictions of our future results of operations and our past results of operations should not be taken as indicative of our future growth. Additionally, we will continue to encounter risks and difficulties frequently experienced by companies at a similar stage of development, including our potential inability to:

- implement our business model and strategy and adapt and modify them as needed;
- increase awareness of our brands, protect our reputation and develop customer loyalty;
- acquire customers cost-effectively;
- manage our expanding operations and offerings, including the integration of any future acquisitions;
- anticipate and adapt to changing conditions in online retail industry globally and in China;
- anticipate and adapt to changes in government regulations, industry consolidation, technological developments and other significant competitive and market dynamics;
- manage risks related to intellectual property rights;
- upgrade our technology or infrastructure to support increased user traffic and product offerings; and
- manage relationships with a growing number of suppliers and couriers.

The online retail industry is intensely competitive and we may not compete successfully against new and existing competitors, which may materially and adversely affect our results of operations.

The market for products sold on our websites is intensely competitive. Consumers have many choices online and offline, including global, regional and local retailers. For example, our current and potential competitors include global and regional online retailers such as other China-based global online retail companies, retail chains, specialty retailers, and sellers on online marketplaces. In the future, we may also face competition from new entrants, consolidations of existing competitors or companies spun off from our larger competitors.

We face a variety of competitive challenges, including sourcing products efficiently, pricing our products competitively, maintaining optimal inventory levels, selling our products effectively, maintaining the quality of our products, anticipating and responding quickly to changing consumer demands and preferences, building our customer base, conducting effective marketing activities and maintaining favorable recognition of our brands, websites and products. In addition, as we further develop our business, we will face increasing challenges to compete for and retain high quality suppliers. If we cannot properly address these challenges, our business and prospects would be materially and adversely affected.

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Some of our current and potential competitors have significantly more established brands or greater financial, sourcing, marketing, operational or other resources than we do. In addition, other online retailers may be acquired by, receive investments from or enter into strategic relationships with well-established and well-financed companies or investors, which would help enhance their competitive positions. Certain of our competitors may be able to secure more favorable terms with suppliers, devote greater resources to marketing campaigns, adopt more aggressive pricing or inventory policies and devote substantially more resources to infrastructure development. Increased competition may reduce our gross and operating margins, market share and brand recognition. We may not be able to compete successfully against current and future competitors, and competitive pressures may materially and adversely affect our business, financial condition and results of operations.

Our failure to quickly identify and adapt to changing industry conditions may have a material and adverse effect on our business, financial condition and results of operations.

The online and offline retail industries are subject to changing consumer preferences and industry conditions. This is particularly true with respect to our core product categories of apparel, small accessories and gadgets and home and garden products. Consequently, we must stay abreast of emerging fashion, lifestyle, design, technological and other industry and consumer trends. This requires timely collection of market feedback, accurate assessments of market trends, deep understanding of industry dynamics and flexible manufacturing capabilities.

We must also maintain relationships with suppliers who can adapt to fast-changing consumer preferences. If one or more of our existing suppliers cannot meet these requirements effectively, we will need to source from new suppliers, which may be costly and time-consuming. We or our suppliers may overestimate customer demand, face increased overhead expenditures without a corresponding increase in sales and incur inventory write-downs, which will adversely affect our results of operations.

If we cannot offer appealing products on our websites, our customers may purchase fewer products on our websites, stop purchasing products on our websites, visit our websites less often or stop visiting our websites. Our reputation may also be negatively impacted. If we do not anticipate, identify and respond effectively to consumer preferences or changes in consumer trends at an early stage, we may not be able to generate our desired level of sales. Failure to properly address these challenges may materially and adversely affect our business, financial condition and results of operations.

Any failure to manage our growth or execute our strategies effectively may materially and adversely affect our business and prospects.

We are still at a relatively early stage in our development and we anticipate spending significant resources on marketing, technology and other business expenditures to grow. We will need to continue to expand, train, manage and motivate our workforce and manage our relationships with customers, suppliers, wholesalers and third-party service providers. To accommodate our future growth, we plan to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems, although we have not yet entered into any commitments related to such plan. We have experienced a period of rapid growth and expansion that has placed, and will continue to place, a significant strain on our management and resources. If we are not successful in managing our growth or executing our strategies effectively, our business may be materially and adversely affected.

As part of our growth strategy, we intend to broaden the range of our product offerings, which will require us to introduce new product categories, work with different suppliers and address the needs of different kinds of consumers. We may incur significant costs in trying to expand our offerings into these new product categories, or fail to introduce new product categories that meet anticipated consumer demand. For example, we launched our own brand of fast fashion apparel for women, *Three*

Seasons / TS, and our own brand of faucets, *Sprinkle*, but it is currently uncertain whether these brands will be competitive in the marketplace, reach broad consumer acceptance and become profitable in the long run.

We have incurred net losses since our inception and prior to 2012 experienced negative cash flow from operating activities. We may continue to incur net losses and experience negative cash flow from operating activities and, as a result, we may need to obtain additional capital in the future.

We incurred net losses attributable to our ordinary shareholders of $22.6 million, $27.3 million and $7.2 million in 2010, 2011 and 2012, respectively. Although we started to generate net income attributable to our ordinary shareholders since the fourth quarter of 2012, we may incur losses in the future. In addition, we experienced negative cash flow from operating activities of $19.9 million and $14.1 million in 2010 and 2011, respectively, and although we generated positive cash flow from operating activities of $7.4 million and $6.6 million in 2012 and the three months ended March 31, 2013, respectively, we may experience negative cash flows in the future. As of March 31, 2013, we had an accumulated deficit of $63.5 million.

We expect our costs and expenses, especially our selling and marketing expenses, to increase as we expand our operations. We anticipate that we may continue to incur net losses in the near future as we grow our business. Although we have generated positive cash flow from operating activities since 2012, we historically experienced negative cash flows for operating activities and may continue to do so in the near future. Our ability to achieve and maintain profitability and positive cash flow from operating activities depends on various factors, including but not limited to, the acceptance of our products by consumers, the growth and maintenance of our customer base, our ability to control our costs and expenses and grow our revenues and the effectiveness of our selling and marketing activities. We may not be able to achieve or sustain profitability or positive cash flow from operating activities, and if we achieve positive operating cash flow, it may not be sufficient to satisfy our anticipated capital expenditures and other cash needs. As such, we may not be able to fund our operating expenses and expenditures and may be unable to fulfill our financial obligations as they become due, which may result in voluntary or involuntary dissolution or liquidation proceeding of our Company and a total loss of your investment.

We have financed our operations to date primarily with proceeds from the sale of equity securities and convertible notes. As of March 31, 2013, we had approximately $25.9 million in cash and cash equivalents. We expect that our existing cash and cash equivalents will be sufficient to fund our capital requirements for at least the next 12 months. However, we may need to raise additional capital to fund our continued operations. We cannot be certain that additional funding will be available on acceptable terms, or at all. Our failure to obtain sufficient capital or sufficient capital on acceptable terms could significantly harm our business, financial condition and prospects. See also " Risks Related to the ADSs and This Offering We may need additional capital, and the sale of additional ADSs or other equity securities or incurrence of additional indebtedness could result in additional dilution to our shareholders or increase our debt service obligations."

Products manufactured by our suppliers may be defective or inferior in quality or infringe on the intellectual property rights of others, which may materially and adversely affect our business and our reputation.

We source our products from over 2,300 selected active suppliers in China. Some of the products provided by our suppliers may be defective or of inferior quality. Such products may also infringe on the intellectual property rights of third parties. Defective, inferior or infringing products may adversely affect consumer perceptions of our company or the products we sell, which may lead to negative reviews that could harm our reputation. In the past, we have received notices claiming that our products have infringed on the intellectual property rights of others. If we determine that products sold on our websites are infringing on intellectual property rights, we will remove them from our websites.

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We were also previously involved in intellectual property rights claims related to certain sports apparel products sold on our website. Although such claims were settled, we cannot assure you that future claims will not have a material impact on our business and financial condition.

Irrespective of the validity of such allegations or claims, we may experience lost sales or incur significant costs and efforts in defending against or settling such allegations or claims. If there is a successful claim against us, we may be required to refrain from further sale of the relevant products or pay substantial damages, and we may be unable to recoup our losses from our suppliers. In addition, since our products are sold to customers in many different countries and regions, we are subject to numerous different legal regimes governing mandatory product standards, intellectual property and tort. Such regimes may impose burdensome legal obligations, which may increase the costs and complexity of compliance. Regardless of whether we successfully defend against such claims, our reputation could be severely damaged. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

We may have difficulties managing our marketing efforts and may face increased competition in our marketing efforts, which could materially and adversely affect our business and growth prospects.

We may have difficulty managing our marketing efforts as our business expands. Currently, we actively manage millions of keywords in 17 languages and display advertising on over 100,000 publisher sites. In addition, we actively engage with our users on social networking sites. However, given the rapid changes of Internet advertising, consumer preferences, the development of new forms of Internet marketing and the different forms of social media in each of our target countries and regions, we may have difficulties adapting our marketing techniques quickly and we may not sustain our customer acquisition rates, which may have a material and adverse effect on our business prospects.

In addition, we are highly dependent on our continuing relationships with our affiliate websites and major search engines around the world. Our advertising publishing partners for our affiliate marketing programs may cease, suspend or change the business terms in which we work with them. Search engines may introduce new products and features or modify their page ranking algorithms, which may make our marketing efforts more challenging and costly, or reduce our web traffic. They may also modify existing features or interfere with our ability to advertise on their platforms or to change the business terms on which we advertise. The occurrence of any such event could materially and adversely affect our ability to acquire new customers and thus negatively impact our business, growth prospects, financial condition and results of operations. Furthermore, as search engine marketing is based on a bidding system, other online advertisers may outbid us on our chosen advertising keywords, which may cause us to increase our marketing expenses and adversely affect our results of operations.

We currently derive our revenues from a limited number of product categories and any event that adversely affects the demand for our products in those product categories may harm our growth strategies and business prospects.

In 2012, we derived 40.2%, 21.0% and 20.3% of our net revenues from the sale of apparel, electronics and communication devices and small accessories and gadgets, respectively. In the three months ended March 31, 2013, we derived 30.8%, 14.1% and 39.1% of our net revenues from these categories, respectively. A decrease in the demand for any of these product categories could have a material and adverse effect on our business prospects. While we have expanded and diversified our product category offerings and revenue sources, sales in new product categories may not reach a level that would reduce our dependence on our existing product categories. In addition, if we are unable to deliver consistently high quality products in our new product categories, the number of customers for our products may decline. Our failure to successfully introduce new product categories may have a material and adverse effect on our business prospects and limit our growth.

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Our expansion may lower our profit margins and materially and adversely affect our business, financial condition and results of operations.

We have traditionally focused on the sale of apparel and electronics and communication devices and derived a large percentage of our net revenues from such product categories. We have since expanded our offerings by increasing the number of products in our core categories of small accessories and gadgets and home and garden, as well as introducing additional categories such as sports and outdoor. We have also introduced new websites which focus on certain specific products, such as our *www.miniinthebox.com* website for the sale of small accessories and gadgets. This has required improvements to our technology and logistics infrastructure and increased marketing spending.

These new businesses involve risks and challenges different from the sale of our traditional product categories. The introduction of other product categories imposes additional complications in logistics, supply chain management and marketing. For example, home and garden products introduced new complications due to shipping heavier and more fragile products. Furthermore, we may have to deal with customers in demographics that we have previously not targeted. We also face inventory risks and other challenges when addressing changing consumer demands and preferences. We may introduce new product categories, which may increase the risks of inventory write-downs and financing costs. As a result, we may not be able to compete successfully in these new markets, our costs may increase and our revenues and profit margins may decrease, all of which may materially and adversely affect our business, financial condition and results of operations.

We may not be able to successfully adopt new technologies or adapt our websites and systems to consumer requirements or emerging industry standards, which may materially and adversely affect our business, financial condition and results of operations.

The Internet and the online retail industry are characterized by rapid technological evolution. Changes in user and consumer preferences and the emergence of new industry standards and practices may render our existing proprietary technologies and systems obsolete. To remain competitive, we must enhance our technology infrastructure and adapt to the evolving online retail landscape. Not only do we need to constantly improve our user experience through personal computers, but we also need to enhance our user experience through mobile phones, handheld tablets or other devices. As new platforms and new devices are continually being released, it is difficult to predict the problems we may encounter to reach customers. If we are unable to adapt to changing market conditions or customer requirements in a cost-effective and timely manner, whether for technical, financial or other reasons, our business prospects, financial condition and results of operations may be materially adversely affected.

We use third-party couriers to deliver our products and their failure to provide high quality delivery services or our failure to effectively manage our relationships with them may materially and adversely affect our business, financial condition and results of operations.

We use a network of third-party courier companies to deliver parcels to consumers in over 200 countries and territories. Interruptions to or failures in these third parties' shipping services could prevent the timely or successful delivery of our products. These interruptions may be due to unforeseen events such as inclement weather, natural disasters, import or export restrictions, or labor unrest, which may be beyond our control or the control of these third-party couriers. For example, our distribution network is sensitive to fluctuation in oil prices, which may result in increased shipping costs from third-party courier companies, which may, in turn, increase the prices of our products and render our products less competitive.

If we do not deliver products in a timely manner or deliver damaged products, our customers may refuse to accept our products and become less confident in us. Many of our bestselling products, such

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as apparel, may be especially sensitive to delivery delays given that they are often purchased in anticipation of a specific date. Other products, such as electronics and fast fashion apparel for women, have a limited shelf-life and become quickly outdated. Certain products may not be delivered through certain couriers or may not be delivered to certain countries or regions. As a result, certain products may not be deliverable to certain customers or they may not be deliverable at a sufficiently low cost. Our third-party couriers may also offer us less favorable terms, which may increase our shipping cost and materially and adversely affect our financial condition and results of operations. We may not be able to promptly and successfully deliver our products to consumers, which may result in the loss of their business and a material and adverse effect on our financial condition and reputation.

Our websites or product offerings may not receive positive market recognition and wide acceptance, which may materially and adversely affect our business, financial condition and results of operations. In addition, negative publicity, including negative Internet and blog postings from anonymous sources, about our company, our business, our management or our products could have a material adverse effect on our business, our reputation and the trading price of our ADSs.

Maintaining and enhancing the level of customer visits to and volume of customer purchases on our websites is critical to our ability to compete effectively. We intend to enhance the recognition of our websites and product offerings by expending significant time and resources on marketing and customer relations. However, we may not be able to achieve our goals in a short period of time and our marketing efforts may not achieve expected results.

Such efforts may also be jeopardized if we fail to maintain high product quality, fulfill orders for popular items, maintain and enhance high customer experience, provide high quality customer services, or offer efficient and reliable delivery. In addition, any negative publicity or disputes regarding our products, company, management or affiliated individuals or other online retailers in China may also materially and adversely affect our websites or branded products. For example, certain products sold on our websites were the subject of intellectual property right disputes, we have had difficulties receiving customer orders due to disruptions to the fiber optic cable connections out of China and there have been certain negative online reviews of our company, our websites and some of the products we sell. Furthermore, if our customer service representatives fail to satisfy the individual needs of customers, our reputation and customer loyalty could be negatively affected and we may lose potential or existing customers and experience a decrease in sales. Failure to successfully promote and maintain positive consumer experience and awareness of our websites, damage to our reputation or brands or loss of consumer confidence could materially and adversely affect our results of operations and financial condition.

Factors important to maintaining and increasing the sales volumes of goods purchased from our websites include:

- our ability to maintain a convenient and reliable user experience as consumer preferences evolve and as we expand into new product categories and new business lines;

- our ability to increase repeat purchases by customers;

- our ability to provide high quality customer services;

- our ability to offer products of sufficient quality at competitive prices;

- our ability to manage new and existing technologies and sales channels;

- our ability to increase website awareness among existing and potential consumers through various means of marketing and promotional activities;

- our ability to assure our customers of the security of our websites for online purchases; and

the efficiency, reliability and service quality of our logistics and payment service providers.

Any failure to properly manage these factors could negatively impact our websites. Such failures may materially and adversely affect our business, financial condition and results of operations.

In addition, we have from time to time received negative publicity, including negative Internet and blog postings from anonymous sources, and anonymous allegations about our company, our business, our management and our products. We cannot assure you that we will not receive similar negative publicity, negative Internet or blog postings or anonymous allegations in the future. Any such negative publicity, negative Internet or blog postings or anonymous allegations, regardless of veracity, may have a material adverse effect on our business, our reputation and the trading price of our ADSs.

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

A significant challenge to online commerce and communications is the secure transmission of confidential information over public networks. Currently, product orders and payments for products we offer are made through our websites, except for certain orders and payments related to the sale of our products to customer in China. In addition, some online payments for our products are settled through third-party electronic platforms. In such transactions, maintaining complete security for the transmission of confidential information, such as our customers' credit card information, personal information and billing addresses, on our websites is essential to maintain consumer confidence. We have no control over the security measures of third-party electronic payment service providers. We also hold certain other private information about our customers, such as their names, addresses, phone numbers and browsing and purchasing records.

We may not be able to prevent third parties, such as hackers or criminal organizations, from stealing information provided by our customers to us through our websites. Furthermore, our third-party logistics and payment service providers may accidentally or purposefully disclose information about our customers. We may also accidentally disclose such information due to employee negligence.

Significant capital and other resources may be required to protect against security breaches or to alleviate problems caused by such breaches. The methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Even if we successfully adapt to and prevent new security breaches, any perception by the public that online commerce and transactions are becoming increasingly unsafe could inhibit the growth of e-commerce and other online services generally, which, in turn, may reduce the number of purchase orders we receive. Any compromise of our security or third-party service providers' security could materially and adversely affect our reputation, business, prospects, financial condition and results of operations.

We derive our revenues from product categories that represent discretionary spending and changes in global macroeconomic conditions may decrease the demand for our products and adversely affect our growth strategies and business prospects.

Many of our products may be viewed as discretionary items rather than necessities. Consequently, our results of operations tend to be sensitive to changes in macroeconomic conditions that impact consumer discretionary spending. During an economic downturn similar to the economic downturn in 2008 and 2009, customers may be less willing to purchase products that we offer. Challenging macroeconomic conditions also impact our customers' ability to obtain consumer credit. Other factors, including consumer confidence, employment levels, interest rates, tax rates, consumer debt levels and fuel and energy costs, could reduce consumer spending or change consumer purchasing habits.

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The current economic environment continues to present uncertainties and risks for our business. Continued concerns about the systemic impact of a potentially long-term and widespread recession, the sovereign debt crisis in Europe and fiscal policy challenges in the United States all have contributed to increased market volatility and diminished expectations for economic growth around the world. Such economic challenges have resulted in high unemployment in Europe and North America, as well as stagnant wage levels, which has dampened consumer purchasing power. A continued or future slowdown in European, the United States or other global economies or a negative economic outlook could materially and adversely affect our future operating results.

We rely on third-party suppliers for our products and any deterioration in such business relationships or the quality of those products may materially and adversely affect our business, financial condition and results of operations.

We source our products from selected third-party suppliers. Our continued growth will increase our product demands, which will require us to increase our ability to source products of commercial quality on reasonable terms.

Our suppliers may:

- cease selling merchandise to us on terms acceptable to us;
- fail to deliver goods that meet consumer demands;
- encounter financial difficulties;
- terminate our relationships or enter into agreements with our competitors;
- have economic or business interests or goals that are inconsistent with ours and take actions contrary to our instructions, requests or objectives;
- be unable or unwilling to fulfill their obligations, including their obligations to meet our production deadlines, quality standards and product specifications;
- fail to expand their production capacities to meet our growing demands;
- encounter raw material or labor shortages or increases in raw material or labor costs, which may impact our procurement costs; or
- engage in other activities or employment practices that may harm our reputation.

Furthermore, agreements with our suppliers do not typically establish a fixed price for the purchase of products. As a result, we may be subject to price fluctuations based on changes in our suppliers' businesses, cost structures or other factors. The occurrence of any of these events, alone or together, may have a material and adverse effect on our business, financial condition and results of operations. For example, suppliers in the coastal areas of eastern and southern China experienced labor shortages in 2010. Although our suppliers were not significantly affected by this event and managed to complete our orders in a timely manner, similar events may happen again in the future and our suppliers and, in turn, we, may be adversely impacted. In addition, our agreements with some of our suppliers do not contain non-compete clauses that would prevent those suppliers from producing similar products for any other third party. Any breakdown in our supplier relationships or our failure to timely resolve disputes with or complaints from our suppliers, could materially and adversely affect our business, financial condition and results of operations.

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Our growth and profitability depend, to a significant extent, on international trade relationships between China and other countries and consumer confidence in Chinese products and any trade restrictions or losses in consumer confidence may materially and adversely affect our results of operations.

We are a China-based online retail company selling goods to consumers globally. As a result, if our consumers lose confidence in Chinese products or sovereign nations restrict trade with Chinese companies, we may suffer a competitive disadvantage. For example, such countries could support locally produced goods with subsidies, which may render our goods relatively more expensive. In addition, such countries could place quotas or taxes, such as retaliatory tariffs and anti-dumping restrictions, on goods produced in China, which would restrict our ability to export products to such countries. Consumers may also develop the presumption that products made in China are inferior in quality, more likely to be defective or more likely to violate intellectual property rights.

Such policies and attitudes could target Chinese companies in general, Chinese companies that export to foreign countries in specific or our company individually. We may not be able to affect the implementation of governmental policies or the prevalence of such biases and such policies and biases may reflect political relationships between the countries in which we conduct our business rather than any action taken by our company. To the extent that we suffer a competitive disadvantage as a result of restrictions in free trade or adverse consumer perceptions, our business, financial condition and results of operations may be materially and adversely affected.

We plan to expand our warehouses and distribution network. If we are not able to manage such expansion successfully, we may suffer a material and adverse effect on our business, financial condition and results of operations.

We believe our strategically located warehouses and our distribution network are essential to our success. We intend to expand our warehouses and distribution network to accommodate more purchase orders and provide better coverage of our target markets. We cannot assure you that we will be able to lease suitable facilities at commercially acceptable terms in accordance with our expansion plan. In addition, the expansion of our warehouses and distribution network will put pressure on our managerial, financial, operational and other resources. If we are unable to secure new facilities or effectively manage our expanded logistics operations and control increasing costs, our growth potential, results of operations and business could be materially and adversely affected. Furthermore, starting from the fourth quarter of 2011, we have entered into arrangements with certain suppliers under which the suppliers store their products at our warehouses. Such products are referred to in this prospectus as co-location inventory. We record these products as inventory only when all liabilities and rights of ownership of the products are passed on to us upon the confirmation of orders by our customers. However, we bear the costs and expenses incurred related to the storage of co-location inventory in our warehouses, which increases our costs and expenses and reduces our profit and the warehousing spaces available for our own inventory. In addition, we are responsible for loss of and damages to such products in certain circumstances prior to the confirmation of orders by our customers, such as in the event of theft, but are not responsible for any loss of and damages to such products as a result of a force majeure event.

Increases in labor costs or restrictions in the supply of labor in China may materially and adversely affect our business, financial condition and results of operations.

We source our products exclusively from third-party suppliers in China. With the rapid development of the Chinese economy, the cost of labor has risen and may continue to rise. Our results of operations will be materially and adversely affected if the labor costs of our suppliers increase. In addition, even if labor costs do not increase, we and our suppliers may not be able to find a sufficient number of workers to produce the products we offer.

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Furthermore, pursuant to the new PRC labor contract law that became effective in 2008 and was amended on December 28, 2012, employers in China are subject to stricter requirements when signing labor contracts, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. The new labor contract law and related regulations impose greater liabilities on employers and may significantly increase the costs of workforce reductions. If we or our suppliers decide to significantly change or reduce our workforces, the new labor contract law could adversely affect our ability to make such changes in a timely, favorable and effective manner. Any of these events may adversely affect our business, financial condition and results of operations.

The proper functioning of our information infrastructure is essential to our business and any failure to maintain the satisfactory performance, security and integrity of our information infrastructure may materially and adversely affect our business, reputation, financial condition and results of operations.

Our net revenues depend on the number of visitors who purchase products on our websites and the volume of orders we fulfill. Telecommunications failures, errors encountered during system upgrades or system expansions, failures related to imbedded social networking functions, computer viruses, attempts to harm our systems, or any inability to maintain, develop and upgrade our existing information infrastructure may damage our hardware and software systems and database, interrupt access to our websites, disrupt our business activities, reveal confidential customer information, slow response times, degrade customer service, increase shipping and handling costs or delay order fulfillment, which may individually or collectively materially and adversely affect our business, reputation, financial condition and results of operations. For example, disruptions in the fiber optic cables used to connect computers located in the United States and China rendered us temporarily unable to receive orders placed by customers, which caused delays in our ability to process and deliver products to customers.

Our technology infrastructure may not function properly as a result of third-party action, employee error, malfeasance or otherwise and resulting in unauthorized access to our customers' data. In addition, our domain names may not point to our IP address correctly due to malfeasance or neglect by our hosting solutions or domain name registries. For example, they may determine that we have violated contractual, civil or criminal duties and, as a result, suspend our domain names. Such errors would render our sites inaccessible for a period of time. Additionally, third parties may attempt to fraudulently induce employees or consumers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our or our consumers' data.

Even if we are successful in preventing security breaches, any perception by the public that online commercial transactions, or the privacy of user information, are increasingly unsafe or vulnerable to attack could inhibit the growth of online retailers and other online services generally, which, in turn, may have a material adverse effect on our business, reputation, financial condition and results of operations.

Taxation risks could materially and adversely affect our business and financial condition.

We do not collect sales or other taxes on shipments of our goods to most countries in the world except mainland China and Hong Kong. We do not believe that currently we have obligations to collect sales taxes in regions other than China. However, courts of competent jurisdiction may not agree with our interpretation of the tax regulations and, even if they agree with our interpretation, we may become subject to new regulations as regional and national governments may impose new tax laws or revise existing tax laws, especially with regards to Internet sales. For example, recently, certain states of the United States have begun passing legislation that requires online retailers with affiliate marketing programs with individuals in such states to collect state sales taxes.

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Levy of sales taxes may increase the costs of our products to our consumers and reduce our competitive advantage over our competitors that do not collect such sales taxes. The imposition by regional or national governments of various taxes upon Internet commerce could create administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on all of our online competitors and decrease our future sales. A successful assertion by one or more foreign countries that we should collect sales or other taxes on the sale of merchandise or services could result in substantial tax liabilities for past sales, decreases our competitiveness with local retailers, and materially and adversely affects our business, financial condition and results of operations. In addition, we may be required to incorporate corporate entities in different jurisdictions around the world in order to deliver our products to such jurisdictions, which may have uncertain tax implications.

Our growth depends on expanding in various geographic markets and such expansion may pose new logistical, operational and marketing challenges that may materially and adversely affect our business prospects.

We plan to further increase the sales of our products by deepening our penetration of geographic markets globally. Although our products are sold to customers in over 200 countries and territories, we still have relatively little experience in many countries in the world. It is costly to establish, develop and maintain international operations and websites and promote our brand internationally. The expansion of sales into such geographic markets may not be profitable on a sustained basis for many reasons including, but not limited to:

- local economic and political conditions;
- government regulation of online retail, other online services and electronic devices and restrictive governmental actions (such as trade protection measures, including export duties and quotas and custom duties and tariffs), nationalization and restrictions on foreign ownership;
- restrictions on sales or distribution of certain products or services and uncertainty regarding intellectual property rights and liability for products, services and content on our websites or social marketing channels;
- business licensing or certification requirements, such as for imports, exports and electronic devices;
- limited fulfillment and technology infrastructure;
- laws and regulations regarding consumer protection, import and export requirements, duties, tariffs, other trade-related barriers or restrictions, data protection, privacy, network security, encryption and restrictions on pricing or discounts;
- lower levels of Internet use;
- lower levels of consumer spending and fewer growth opportunities compared to our current geographic markets;
- lower levels of credit card usage and increased payment risk; and
- difficulty in staffing, developing and managing foreign operations as a result of language and cultural differences.

As we expand the sale of our products to other countries, competition will intensify. Local companies may have a substantial competitive advantage because of their greater understanding of, and focus on, local consumers, as well as their more established local brand names. This may benefit from reduced logistics costs and marketing. We may not be able to hire, train, retain and manage required personnel, which may limit our international growth.

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As new markets have different business practices and consumer demand may vary significantly by region, our experience in the geographic markets on which we currently focus may not be applicable in other parts of the world. For example, we may need to build infrastructure in foreign countries to remain competitive in such markets. Furthermore, deepening our geographic penetration entails increased complexity for our managers and employees including, but not limited to, difficulties associated with managing a more diverse customer base, the challenges of meeting different regulatory regimes and requirements, partnering with different local logistics providers and other business partners, managing more complex marketing efforts and providing customer support in different languages.

We currently derive only a small portion of our sales from customers in China, but we intend to expand our operations in China in the future. We will encounter new challenges in operations, marketing and logistics. Our ability to operate competitively in international markets may not render us similarly competitive in the market in China. For example, our logistics networks will need to be optimized locally. To the extent that we cannot increase our market share in China, we may incur costs that we may not recover. Even if we are successful in increasing our market share in China, we may suffer from increased competition from other Chinese companies. We may not compete successfully against companies with stronger brands, greater financial resources, greater political support or more attractive terms for their suppliers, managers or employees.

In addition, our expansion into China may suffer due to uncertainties and various factors affecting the development of online retail in China. For example, Internet and broadband use and penetration may decline, consumer confidence in online shopping may decrease, the quality of alternative retail channels may increase, sufficiently reliable or secure logistic or payment methods may not be available or the Chinese economy may deteriorate. To the extent that we cannot successfully expand our operations in China or other geographic markets, our business, financial condition and results of operations may be materially and adversely affected.

Fluctuations in currency exchange rates may make us less competitive and may make our growth and future prospects uncertain and difficult to evaluate.

We sell to customers in over 200 countries and territories. Some customers pay for our products in currencies other than U.S. dollars. We set the price of our products in U.S. dollars and, as a result, the payments in local currencies other than U.S. dollars will change depending on the exchange rates of the local currencies against the U.S. dollars. If the U.S. dollar appreciates against these foreign currencies, our prices will be become less competitive relative to those of our competitors who source and price their products in their respective local currencies. As a result, we may experience short-term fluctuations in our earnings derived from certain regions.

Our business depends substantially on the continued efforts of our executive officers and our business may be severely disrupted if we lose their services.

Our future success depends substantially on the continued efforts of our executive officers. Competition for senior management and other key personnel is intense, and the pool of suitable candidates is very limited. We may not be able to retain the services of our senior executives or other key personnel, or attract and retain senior executives or key personnel in the future. If one or more of our executive officers are unable or unwilling to continue their employment with us, we may not find replacements in a timely manner, or at all, our business may be severely disrupted and our financial condition and results of operations may be materially and adversely affected. We may also incur additional expenses to recruit and retain qualified replacements.

If any of our executive officers joins a competitor or forms a competing company, we may lose customers, suppliers, partners and know-how. Each of our executive officers has entered into an

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employment agreement with us, which contains confidentiality and non-compete provisions. However, if any dispute arises between our executive officers and us, we may not be able to enforce these non-compete provisions in China, where these executive officers reside, in light of uncertainties with China's legal system.

If we are unable to attract, train and retain qualified personnel, our business, financial condition and results of operations may be materially and adversely affected.

Our business is supported and enhanced by a team of highly skilled employees who are critical to maintaining the quality and consistency of our business and reputation. It is important for us to attract qualified employees, especially marketing personnel, designers, supply chain managers, or engineers with high levels of experience in creative design, software development and Internet-related services. Competition for these employees is intense. In order to attract prospective employees and retain current employees, we may have to increase our employee compensation by a larger amount and at a faster pace than expected, which would increase our operating expenses. In addition, we must hire and train qualified employees in a timely manner to keep pace with our rapid growth while maintaining the quality of our operations in various geographic locations.

We must also provide continuous training to our employees so that they have up-to-date knowledge of various aspects of our operations and can meet our demand for high quality services. If we fail to do so, the quality of our services may deteriorate in one or more of the markets where we operate, which may cause a negative perception of our brand and adversely affect our business. Finally, disputes between us and our employees may arise from time to time and if we are not able to properly handle our relationship with our employees, our business, financial condition and results of operations may be adversely affected.

Certain existing shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders.

Currently, certain of our directors and executive officers, Mr. Quji (Alan) GUO, Mr. Xin (Kevin) WEN, Mr. Liang ZHANG and Mr. Jun LIU, collectively own an aggregate of 38.1% of our outstanding shares. Upon the completion of this offering, they will collectively own an aggregate of 30.5% of our outstanding shares, representing 30.5% of the total voting power of our outstanding ordinary shares after this offering, assuming the underwriters do not exercise their option to purchase additional ADSs. In addition, in matters as to change of control, each of Mr. Quji (Alan) GUO, Mr. Xin (Kevin) WEN and Mr. Liang ZHANG will be entitled to three votes per share, resulting in 50.2% of voting rights in such matters upon the completion of this offering, assuming the underwriters do not exercise their option to purchase additional ADSs. As a result, they have substantial influence over our business, including significant corporate actions such as mergers, consolidations, sales of all or substantially all of our assets and election of directors.

They may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of the ADSs. These actions may be taken even if they are opposed by our other shareholders, including those who purchase ADSs in this offering. In addition, the significant concentration of share ownership may adversely affect the trading price of the ADSs due to investors' perception that conflicts of interest may exist or arise. For more information regarding our principal shareholders and their affiliated entities, see "Principal and Selling Shareholders."

Our branding efforts for our products may be costly and may not obtain positive market recognition which may materially and adversely affect our business, financial condition and results of operations.

We have recently launched our own branded product lines. These brands require more research, design and marketing costs than our private label products. These costs may not be recovered from sufficient sales of these branded products. These brands may not receive or maintain positive market recognition. Furthermore, it may take time and additional expenditures before we realize that our branding efforts have been unsuccessful. As a result of these efforts to develop branded products, we may incur costs without corresponding increases in revenues which may materially and adversely affect our business, financial condition and results of operations.

Our results of operations are subject to quarterly fluctuations due to a number of factors that could adversely affect our business and the trading price of the ADSs.

We experience seasonality in our business, reflecting seasonal fluctuations in online and offline retail patterns in general and for our product categories. For example, sales may be higher in the fourth quarter of a calendar year due to the Christmas holidays. Our product mix may experience quarterly shifts which may cause our margins to fluctuate from quarter to quarter.

Due to the foregoing factors, our operating results in one or more future quarters may fall below the expectations of securities analysts and investors. In such event, the trading price of the ADSs may be materially and adversely affected.

We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our trademarks, service marks, domain names, trade secrets, proprietary technologies and similar intellectual property critical to our success and we currently rely on a mix of trademark law, trade secret protection and confidentiality and license agreements with our employees, suppliers, partners and others to protect our proprietary rights. Our trademarks and service marks may be invalidated, circumvented or challenged. Trade secrets are difficult to protect and our trade secrets may be leaked or otherwise become known or be independently discovered by competitors. Confidentiality agreements may be breached and we may not have adequate remedies for any breach.

It is often difficult to create and enforce intellectual property rights in China. Even where adequate laws exist in China, it may not be possible to obtain swift and equitable enforcement of such laws, or to obtain enforcement of a court judgment or an arbitration award delivered in another jurisdiction and, accordingly, we may not be able to effectively protect our intellectual property rights or enforce agreements in China. Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our technologies.

We are subject to payment-related risks which may materially and adversely affect our business, financial condition and results of operations.

Our customers may choose from a wide range of payment methods. As we offer new payment options to our customers, we may be subject to additional regulations, compliance requirements and fraud.

We rely on third parties, such as PayPal, to provide certain payment processing services, including the processing of credit card and debit card transactions. Our business may be disrupted if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If

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we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments and our business and operating results could be adversely affected.

Under current credit card practices, we are liable for fraudulent credit card transactions because we do not require a cardholder's signature. We do not currently carry insurance against this risk. Although we have only experienced minimal losses from credit card fraud, we face the risk of significant losses from this type of fraud as our net sales increase and as we expand internationally. Our failure to adequately control fraudulent credit card transactions could damage our reputation and brand and substantially harm our business and results of operations. Additionally, for certain payment transactions, including credit and debit cards, we pay interchange and other fees. These fees may increase over time, which would raise our operating costs and lower our operating margins.

Our business is subject to the laws of various jurisdictions, many of which are unsettled and still developing and could subject us to claims or otherwise harm our business.

We are subject to a variety of laws in various jurisdictions, including Hong Kong, China, the United States and other countries, including laws regarding data retention, privacy and consumer protection, that are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement and other theories based on the nature and content of the materials searched, the advertisements posted, or the content provided by users. In addition, regulatory authorities around the world are considering a number of legislative and regulatory proposals concerning data protection and other matters that may be applicable to our business. It is also likely that as our business grows and evolves and our solutions are used in a greater number of countries, we will become subject to laws and regulations in additional jurisdictions. It is difficult to predict how existing laws will be applied to our business and the new laws to which we may become subject.

If we are not able to comply with these laws or regulations or if we become liable under these laws or regulations, we could be directly harmed and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain solutions. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business, financial condition and results of operations.

We do not have any business liability, disruption or litigation insurance and any business disruption or litigation we experience might result in our incurring substantial costs and diversion of resources.

As the insurance industry in China is still in an early stage of development, insurance companies in China currently offer limited business insurance products. We have determined that the difficulties associated with acquiring product liability or business interruption insurance coverage in China on commercially reasonable terms make it impractical for us to have such insurance. Any product liability claims or business disruption, natural disaster could result in our incurring substantial costs and diversion of resources, which would have an adverse effect on our business, financial condition and results of operations.

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In the course of preparing our consolidated financial statements, we have identified a material weakness and other control deficiencies in our internal control over financial reporting, which, as of the date of this prospectus, have not been remediated. If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud and investor confidence in our company and the market price of the ADSs may be adversely affected.

We will be subject to reporting obligations under the U.S. securities laws after this offering. Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future. Prior to this offering, we have been a private company and have had limited accounting personnel and other resources with which to address our internal control over financial reporting. In connection with the preparation and external audit of our consolidated financial statements, we and our independent registered public accounting firm identified a material weakness and other control deficiencies, each as defined in the U.S. Public Company Accounting Oversight Board Standard AU Section 325, Communications About Control Deficiencies in an Audit of Financial Statements, or AU325, in our internal control over financial reporting as of December 31, 2012. As defined in AU325, 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 the company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified relates to the lack of sufficient accounting personnel for financial information processing and reporting and with appropriate U.S. GAAP knowledge. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control for purposes of identifying and reporting material weaknesses and other control deficiencies in our internal control over financial reporting as we and they will be required to do once we become a public company. In light of the material weakness and other control deficiencies that were identified as a result of the limited procedures performed, we believe it is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

We plan to take various measures to remediate such weakness and deficiencies. However, these measures may not fully address the material weakness and other control deficiencies in our internal control over financial reporting. Our failure to correct the material weakness and other control deficiencies or our failure to discover and address any other control deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our ADSs, may be materially and adversely affected. Moreover, ineffective internal control over financial reporting may significantly hinder our ability to prevent fraud.

Upon completion of this offering, we will become subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act will require that we include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2014. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting beginning with our annual report on Form 20-F following the date on which we cease to qualify as an emerging growth company, which may be up to five full fiscal years following the date of this offering. If we fail to remediate the problems identified above, our management and our independent registered public accounting firm may conclude that our internal control over financial reporting is not effective. This conclusion could adversely impact the market price of the ADSs due to a loss of investor confidence in the reliability of our reporting processes. We also expect to incur additional costs and expenses associated with our becoming a public company,

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including costs to prepare for our first Sarbanes-Oxley Act of 2002 Section 404 compliance testing and additional legal and accounting costs to comply with the requirements of the Exchange Act that will apply to us as a public company.

We may engage in acquisitions that may present integration challenges, disrupt our business and lower our operating results and the value of your investment.

As part of our business strategy, we regularly evaluate investments in, or acquisitions of, complementary businesses, joint ventures, services and technologies. For example, in May 2010, Lanting Huitong acquired Shanghai Ouku, which operates *www.ouku.com*, for $2.2 million (RMB14.3 million). Acquisitions and investments involve numerous risks, including:

- potential failure to achieve the expected benefits of the combination or acquisition;
- difficulties in and the cost of integrating operations, technologies, services and personnel; and
- potential write-offs of acquired assets or investments.

As a result of Lanting Huitong's acquisition of Shanghai Ouku, we have recorded goodwill as well as certain acquired intangibles. Such goodwill and intangible assets are tested for impairment by us. In 2011, we recorded an impairment loss on goodwill and intangible assets of $1.9 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Impairment of Goodwill and Intangible Assets."

In addition, if we finance acquisitions by issuing equity or convertible debt securities, our existing shareholders may be diluted, which could affect the market price of the ADSs. Further, if we fail to properly evaluate and execute acquisitions or investments, our business and prospects may be seriously harmed and the value of your investment may decline.

Furthermore, we may fail to identify or secure suitable acquisition opportunities or our competitors may capitalize on such opportunities before we do, which could impair our ability to compete with our competitors and adversely affect our growth prospects and results of operations.

Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could severely disrupt our business operations.

Our operations are vulnerable to interruption and damage from natural and other types of catastrophes, including earthquakes, fire, floods, hail, windstorms, severe winter weather (including snow, freezing water, ice storms and blizzards), environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks and similar events. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In March 2011, Japan was struck by a 9.0-magnitude earthquake. In May 2008 and April 2013, Sichuan Province in southwest China experienced severe earthquakes. Although the Japan earthquake together with the resulting tsunami and the Sichuan Province earthquakes did not materially affect our business, other occurrences of natural disasters, as well as accidents and incidents of adverse weather in or around our warehouses, sourcing offices or suppliers may materially and adversely affect our business and results of operations. We may also be particularly vulnerable to catastrophes in Europe and North America, where most of our customers are located. In addition, the recent uncertainty on the Korean Peninsula may also have an adverse impact on our business operations.

Changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophe or extraordinary event occurs in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our services and products to our consumers and could decrease demand for our products. Because we do not carry property insurance

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and significant time could be required to resume our operations, our financial position and operating results could be materially and adversely affected in the event of any major catastrophic event.

In addition, our business could be materially and adversely affected by the outbreak of influenza A (H1N1), commonly referred to as "swine flu," avian influenza, including H7N9, severe acute respiratory syndrome (SARS) or other pandemics. Any occurrence of these pandemic diseases or other adverse public health developments in China or elsewhere could severely disrupt our staffing or the staffing of our suppliers and couriers and otherwise reduce the activity levels of our work force and the work force of our suppliers and couriers, causing a material and adverse effect on our business operations.

Failure to renew the lease of our existing premises or to renew such leases at acceptable terms could materially and adversely affect our business.

All of our offices and warehouses are presently located on leased premises. At the end of each lease term, we may not be able to negotiate an extension of the lease and may therefore be forced to move to a different location, or the rent we pay may increase significantly. This could disrupt our operations and adversely affect our profitability. A number of our leases will expire in the near future and are subject to renewal at market prices, which could result in a substantial increase in the rent at the time of renewal. We compete with other businesses for premises at certain locations or of desirable sizes and some landlords may have entered into long-term leases with our competitors for such premises. We may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms or at all, which could materially and adversely affect our business. Furthermore, some of our lessors have not been able to provide the relevant housing ownership certificates for the properties leased by us or prove their right to sublease the properties to us. As of March 31, 2013, one out of 16 of our leased properties, with a floor area of 22,152.9 square meters, representing 42.7% of our aggregate leased area, were subject to such defects. In addition, the owner of one of our leased properties, with a floor area of 1,545 square meters, is in the process of obtaining the relevant housing ownership certificate. As to this property, we are not aware of any obstacles that will prevent the owner from obtaining such certificate. As of the date of this prospectus, we are not aware of any actions, claims or investigations being contemplated by government authorities with respect to the defects in our leased real properties or any challenges by third parties to our use of these properties. However, if third parties who purport to be property owners or beneficiaries of the mortgaged properties challenge our right to lease these properties, we may not be able to protect our leasehold interest and may be ordered to vacate the affected premises, which could in turn materially and adversely affect our business and operating results.

We rely on certain individuals to register at and receive funds from some of our supplemental online outlets.

In addition to the sale of our products through our websites, we also sell through outlets on other high traffic online marketplace platforms. In addition to such supplemental online outlets registered under our company name, some of our employees have also registered for online outlets in their own name to sell our products and hold the title to these online outlets on the marketplace platforms and in certain cases, their associated bank accounts. We enter into contractual relationships with such employees to obligate them to transfer to us payments corresponding to amounts they receive from customers for the sale of our products on these supplemental online outlets. Prior to our receipt of such payments, we classify cash held in such account in our prepaid expenses and other current assets. As of December 31, 2010, 2011, 2012 and March 31, 2013, such amounts were $3.1 million, $0.3 million, $0.1 million and $0.1 million, respectively. In 2010, 2011, 2012 and the three months ended March 31, 2013, total revenues from our supplemental online outlets were approximately 9.4%, 9.3%, 8.6% and 5.2% of our total net revenues, respectively, and revenues from supplemental online outlets registered under our employees were approximately 7.9%, 7.6%, 7.0% and 4.0% of our total net

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revenues, respectively. If such employees choose not to perform under their contractual obligations with us, we may incur costs to recover such payments and we may not be able to recover these cash balances.

We are exempted from certain corporate governance requirements of the New York Stock Exchange.

We are exempted from certain corporate governance requirements of the New York Stock Exchange by virtue of being a foreign private issuer. We are required to provide a brief description of the significant differences between our corporate governance practices and the corporate governance practices required to be followed by U.S. domestic companies under the New York Stock Exchange. The standards applicable to us are considerably different than the standards applied to U.S. domestic issuers. For instance, we are not required to:

- have a majority of the board be independent (other than due to the requirements for the audit committee under the United States Securities Exchange Act of 1934, as amended, or the Exchange Act);
- have a minimum of three members in our audit committee;
- have a compensation committee, a nominating or corporate governance committee;
- have regularly scheduled executive sessions with only independent directors;
- have executive session of solely independent directors each year; or
- adopt and disclose a code of business conduct and ethics for directors, officers and employees.

We have relied on and intend to continue to rely on some of these exemptions. As a result, you may not be provided with the benefits of certain corporate governance requirements of the New York Stock Exchange.

Risks Related to Our Corporate Structure

We conduct certain aspects of our businesses in China through our VIEs by means of contractual arrangements. If the PRC government determines that these contractual arrangements do not comply with applicable regulations, our business could be materially and adversely affected.

We conduct the operation of our domestic websites through Lanting Huitong and its subsidiary, Shanghai Ouku, and conduct certain research and development functions through Lanting Gaochuang. We receive substantially all of the economic benefits of Lanting Huitong and Lanting Gaochuang as their primary beneficiary through contractual arrangements with them and their shareholders. For a description of these contractual arrangements, see "Our History and Corporate Structure Contractual Arrangements Among Lanting Jishi, our VIEs and the Respective Shareholders of our VIEs."

Although we believe we comply and will continue to comply with current PRC regulations, the PRC government may not agree that these contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing requirements or policies or with requirements or policies that may be adopted in the future, particularly with regards to Lanting Huitong as a key operator of our domestic websites. If the PRC government determines that we are not in compliance with applicable laws, it may revoke our business and operating licenses, require us to discontinue or restrict our operations, restrict our right to collect revenues, block our websites, require us to restructure our operations, impose additional conditions with which we may not be able to comply, impose restrictions on our business operations or on our customers, or take other regulatory or enforcement actions against us that could be harmful to our business.

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We rely on contractual arrangements with Lanting Huitong and its shareholders for the operation of our domestic websites in China and contractual arrangements with Lanting Gaochuang and its shareholders for certain research and development functions, which may not be as effective as direct ownership. If Lanting Huitong and its shareholders or Lanting Gaochuang and its shareholders fail to perform their obligations under these contractual arrangements, we may have to resort to litigation or arbitration to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation.

We have relied and expect to continue to rely on contractual arrangements with Lanting Huitong to operate our domestic websites and contractual arrangements with Lanting Gaochuang to perform certain research and development functions. For a description of these contractual arrangements, see "Our History and Corporate Structure Contractual Arrangements Among Lanting Jishi, our VIEs and the Respective Shareholders of our VIEs." These contractual arrangements provide us with effective control over these entities and allow us to obtain economic benefits from them. Although we have been advised by our PRC counsel, TransAsia Lawyers, that these contractual arrangements are in compliance with current PRC laws, these contractual arrangements may not be as effective in providing control as direct ownership. For example, Lanting Huitong and its shareholders could breach their contractual arrangements with us by failing to operate our online retail business in an acceptable manner or taking other actions that are detrimental to our interests. In addition, if the shareholders of Lanting Huitong or Lanting Gaochuang refuse to transfer their equity interests in Lanting Huitong or Lanting Gaochuang to us or our designee when we exercise our call option pursuant to these contractual arrangements, we may have to take legal actions to compel them to perform their contractual obligations.

If we were the controlling shareholder of our VIEs with direct ownership, we would be able to exercise our rights as shareholders, rather than our rights under the powers of attorney, to effect changes to their boards of directors, which in turn could implement changes at the management and operational level. However, under the current contractual arrangements, as a legal matter, if our VIEs or their respective shareholders fail to perform their obligations under these contractual arrangements, we may incur substantial costs to enforce such arrangements and rely on legal remedies under PRC law, which may not be sufficient or effective.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in court and the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. If we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our VIEs and our ability to conduct our business may be negatively affected.

If we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, our business and operations in China could be disrupted, which could materially and adversely affect our results of operations and damage our reputation. See " Risks Related to Doing Business in China Uncertainties with respect to the Chinese legal system could adversely affect us."

The shareholders of Lanting Huitong and Lanting Gaochuang have potential conflicts of interest with us, which may adversely affect our business.

Certain directors and executive officers of our company, Mr. Quji (Alan) GUO, Mr. Xin (Kevin) WEN, Mr. Liang ZHANG and Mr. Jun LIU, who will collectively own 30.5% of the shares of our

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company after this offering, assuming the underwriters do not exercise their option to purchase additional ADSs, are also the shareholders of Lanting Huitong. Mr. GUO also holds 51% of Lanting Gaochuang. Thus, conflicts of interest between their duties to our company and their interests as the controlling shareholders of Lanting Huitong or Lanting Gaochuang may arise. They may not act entirely in our interests when conflicts of interest arise and conflicts of interest may not be resolved in our favor. In addition, Mr. GUO, Mr. WEN, Mr. ZHANG and Mr. LIU could violate their non-competition or employment agreements with us or their legal duties by diverting business opportunities from us. If we are unable to resolve any such conflicts, or if we suffer significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and reputation. See " Risks Related to Doing Business in China Uncertainties with respect to the Chinese legal system could adversely affect us."

We may lose the ability to use and enjoy assets held by Lanting Huitong and its subsidiary or assets held by Lanting Gaochuang that are important to the operations of our business if such entity goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

Lanting Huitong and its subsidiary, Shanghai Ouku, manage *www.ouku.com* and other websites targeting consumers in China. Lanting Gaochuang performs certain research and development functions. Both hold certain assets and perform certain functions that are important to the operations of our business. If Lanting Huitong, Shanghai Ouku or Lanting Gaochuang 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 Lanting Huitong, Shanghai Ouku or Lanting Gaochuang undergoes a voluntary or involuntary dissolution or liquidation proceeding, third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business in the PRC, which may materially and adversely affect our business, financial condition and results of operations.

If Lanting Huitong, Shanghai Ouku or Lanting Gaochuang fail to obtain and maintain the requisite assets, licenses and approvals required under the complex regulatory environment for Internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected.

The Internet industry in China is highly regulated by the PRC government and numerous regulatory authorities of the central PRC government are empowered to issue and implement regulations governing various aspects of the Internet industry. See "Regulations". Lanting Huitong and Shanghai Ouku, due to their operation of our domestic websites, are required to obtain and maintain certain assets relevant to their business as well as applicable licenses and approvals from different regulatory authorities in order to provide their current services. These assets and licenses are essential to our business operations in China and are generally subject to annual review by the relevant governmental authorities. Furthermore, Lanting Huitong, Shanghai Ouku or Lanting Gaochuang may be required to obtain additional licenses other than those currently in place. If they fail to obtain or maintain any of the requisite assets, licenses or approvals, their continued business operations in the Internet industry may subject them to various penalties, such as confiscation of illegal net revenues, fines and the discontinuation or restriction of their operations. Any such disruption in the business operations of Lanting Huitong, Shanghai Ouku or Lanting Gaochuang may materially and adversely affect our business, financial condition and results of operations.

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Contractual arrangements with Lanting Huitong or Lanting Gaochuang may result in adverse tax consequences.

Under PRC laws and regulations, an arrangement or transaction among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the arrangement or transaction takes place. If this occurs, the PRC tax authorities could request that Lanting Huitong or Lanting Gaochuang adjust their taxable income in the form of a transfer pricing adjustment for PRC tax purposes if contractual arrangements among related parties do not represent arm's length prices. Such a pricing adjustment could adversely affect us by increasing Lanting Huitong or Lanting Gaochuang's tax expenses without reducing our tax expenses, which could subject Lanting Huitong or Lanting Gaochuang to late payment fees and other penalties for underpayment of taxes. As a result, our contractual arrangements with Lanting Huitong or Lanting Gaochuang may result in adverse tax consequences to us. As Lanting Huitong has suffered accumulated loss since its inception, it has not paid any PRC income tax other than a one-off payment on account. If Lanting Huitong or Lanting Gaochuang generate net income from transactions with our PRC subsidiary under the contractual arrangements in the future and the PRC tax authorities decide to make transfer pricing adjustments on their net incomes, our consolidated net income may be adversely affected.

Risks Related to Doing Business in China

We may be adversely affected by the uncertainties and changes in the PRC regulations and policies of cross-border business activities.

We are a China-based global online retailer. The PRC government extensively regulates the Internet industry and cross-border business activities. While the PRC government has been encouraging the export industry, such policy may change in the future. Currently laws and regulations relating to online retail, including export online retail, are still evolving and the interpretation and enforcement of these laws and regulations are subject to significant uncertainties. As a result, in certain circumstances, it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws or regulations. Issues, risks and uncertainties relating to PRC regulation of export online retail include, but are not limited to:

- how our online retail activities are subject to the laws and regulations pertaining to traditional cross-border transactions or international trade, especially those related to customs declarations, statutory inspections, couriers and commodities export payments; and

- new regulations, or new interpretations of existing regulations, requiring additional licenses, declarations or inspections for our products.

The varying interpretations and applications of existing PRC laws, regulations and policies, along with possible new laws, regulations or policies relating to cross-border online retail, create substantial uncertainty regarding the licenses, customs declarations and inspections that may be required for our products. We cannot guarantee that all of the licenses, customs clearances and/or approvals for commodity inspections currently required, or in the future may be required, will be obtained.

For example, we work with third-party couriers to ship and export merchandise purchased by our customers around the world as articles or product samples on a parcel-by-parcel basis in accordance with procedures applicable to articles or product samples. This differs from the customs declaration, clearance and inspection procedures for traditional large-scale export shipments. Despite that the current PRC regulatory regime as to customs declaration and inspection have been formulated, interpreted and enforced primarily with the intention, and based on the experiences of, regulating traditional large-scale exports, such regulatory regime could technically be interpreted as applicable to the shipment of merchandise on a parcel-by-parcel basis.

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If the relevant PRC governmental authorities determine that we or our sourcing agents, suppliers or third-party couriers do not comply with the applicable laws and regulations, they could:

- require us, or our sourcing agents, suppliers or third-party couriers, to restructure business operations, including a possible change to our current method and manner of contracting with such sourcing agents, suppliers or third-party couriers, or require us or third-party couriers to go through customs declaration, clearance and inspection procedures for the merchandise sold to our customer under our business arrangements in accordance with procedures for goods rather than for articles;

- impose fines or confiscate income from our PRC subsidiary or the operations of the affiliates of our sourcing agents, suppliers or third-party couriers that are subject to PRC jurisdiction; and

- impose additional conditions or requirements with which we may not be able to comply or take other regulatory or enforcement actions against us.

Substantial uncertainties and restrictions exist with respect to the interpretation and application of PRC laws and regulations relating to online commerce and the distribution of Internet content in China. If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, we could be subject to severe penalties, including the shutting down of our websites.

Foreign ownership of Internet-based businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates Internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other regulations. These laws and regulations also include limitations on foreign ownership in PRC companies that provide Internet content distribution services. Specifically, foreign investors are not allowed to own more than 50% of the equity interests in any entity conducting commercial Internet information services.

We are a Cayman Islands company and our PRC subsidiary, Lanting Jishi, is considered a wholly foreign-owned enterprise. To comply with PRC laws and regulations, we conduct the operation of our domestic websites through a series of contractual arrangements among our PRC subsidiary, Lanting Jishi, our VIE, Lanting Huitong and the shareholders of Lanting Huitong. Lanting Huitong and Shanghai Ouku hold the licenses or have completed the filings that are essential to the operations of our business in China. For a detailed description of these licenses and permits, see "Regulations." We conduct certain research and development functions through Lanting Gaochuang, which we control through similar contractual arrangements. As a result of these contractual arrangements, we exert control over our VIEs and consolidate their operating results in our financial statements under U.S. GAAP. For a detailed description of these contractual arrangements, see "Our History and Corporate Structure Contractual Arrangements Among Lanting Jishi, our VIEs and the Respective Shareholders of our VIEs."

In the opinion of our PRC counsel, TransAsia Lawyers, our current ownership structure, the ownership structure of our PRC subsidiary, Lanting Jishi and our VIEs, the contractual arrangements among Lanting Jishi, our VIEs and the shareholders of our VIEs and our business operations, as described in this prospectus, are in compliance with existing PRC laws, rules and regulations. There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations, especially with regards to Lanting Huitong and Shanghai Ouku as operators of our domestic websites. The M&A Rules, the recently promulgated related regulations under the M&A Rules and, in particular, the national security review rules issued by the Ministry of Commerce, or the MOFCOM, on August 25, 2011 and effective as of September 1, 2011 create additional uncertainties for our business. The national security review rules broadens the reach of MOFCOM in the context of a merger or acquisition by a foreign investor of a domestic entity involved in an industry related to national security, of attempting to bypass national security review of the transaction by

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structuring it through a proxy or contractual control arrangement. Accordingly, PRC government authorities may ultimately take a view contrary to the opinion of our PRC counsel.

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

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

Changes in China's political, economic or social conditions or government policies could have a material adverse effect on our business and operations.

All of our suppliers and some of our business operations are located in China. Our business, financial condition, results of operations and prospects may be influenced by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industry policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. From 2003 to mid-2008, the PRC government implemented a number of measures, such as increasing the deposit reserve ratio requirements for banks and imposing commercial bank lending guidelines, designed to slow the growth of the PRC economy. In response to the global financial crisis, in 2008, the PRC government began instituting policies aimed at expanding credit and stimulating the economy, including an announced RMB4.0 trillion stimulus spending program. More recently, as the PRC economy has shown signs of recovering quickly from the global financial crisis, the PRC government has again begun implementing policies aimed at slowing the PRC economy, including raising interest rates and tightening fiscal expenditures.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the PRC government has implemented certain measures, including interest rate increases, to control the

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pace of economic growth. These measures may increase the costs of business activities for us and our suppliers in China and adversely affect our business, financial condition and results of operations.

In addition, China's social and political conditions are not as stable as those of the United States and other developed countries. Any sudden changes in China's political system, the occurrence of widespread social unrest, or a significant deterioration in its relations with its neighbors could negatively affect the Chinese economy and our business.

Uncertainties with respect to the Chinese legal system could adversely affect us.

The PRC legal system is based on written statutes. Unlike under common law systems, decided legal cases have little value as precedents in subsequent legal proceedings. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general and forms of foreign investment (including in respect of wholly foreign owned enterprises) in particular. These laws, regulations and legal requirements are relatively new and are often changing, and their interpretation and enforcement depend to a large extent on relevant government policy and involve significant uncertainties that could limit the reliability of the legal protections available to us. We cannot predict the effects of future developments in government policy or the PRC legal system in general. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future operations, which may not be obtainable in a timely fashion or at all, or may involve substantial costs and unforeseen risks. An inability to obtain, or the incurrence of substantial costs in obtaining, such permits, authorizations and approvals may have a material adverse affect on our business, financial condition and results of operations.

We may be adversely affected by the complexity and uncertainties of and changes in PRC regulation of Internet business and related companies.

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

- We have only contractual control over our websites that target consumers in China as compared to legal title over our websites that target consumers outside of China. Due to restrictions on foreign investment in businesses providing value-added telecommunication services in China, including Internet content provision services, we do not own *www.ouku.com*, *www.kuailebox.com* and other affiliated websites which target consumers in China. This may significantly disrupt our business, subject us to sanctions, compromise enforceability of related contractual arrangements, or have other harmful effects on us.

- There are uncertainties relating to the regulation of Internet businesses in China, including evolving licensing practices. This means that permits, licenses or operations at some of our companies may be subject to challenge, or we may fail to obtain permits or licenses that may be deemed necessary for our operations, or we may not be able to obtain or renew certain permits or licenses. For example, according to the Administrative Measures on Internet Electronic Messaging Services, or the BBS Measures, BBS services, which include electronic bulletin boards, electronic forums, message boards and chat rooms, are subject to specific approvals (if the operators provide commercial Internet information services) or filings (if the operators provide non-commercial Internet information services). Shanghai Ouku has not obtained specific filings for BBS services on its websites and governmental authorities may require it to discontinue the BBS services and to rectify the non-compliance. If Shanghai Ouku fails to rectify the non-compliance as required by the governmental authorities, its websites may be shut down.

The evolving PRC regulatory system for the Internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office (with the involvement of the SCIO, the MIIT and the Ministry of Public Security). The primary role of this new agency is to facilitate policy-making and legislative development in this field to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the Internet industry. Further, new laws, regulations or policies may be promulgated or announced that will regulate Internet activities, including the online video and online advertising businesses. If these new laws, regulations or policies are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties.

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

Fluctuations in the value of the Renminbi may have a material adverse effect on your investment.

Most of our revenues are denominated in U.S. dollars while certain expenses are denominated in Renminbi. As a result, there are certain mismatches between our revenues in U.S. dollars and costs denominated in Renminbi. In addition, all of our suppliers are based in China and their operating costs are denominated in Renminbi. If the Renminbi appreciates relative to the U.S. dollar, the cost of our products will become more expensive in U.S. dollar terms, the currency in which we price our products. We have no hedges against currency risk. Consequently, any increase in the value of the Renminbi against the U.S. dollar may reduce our margins, reduce our competiveness against retailers who source their products from suppliers with costs denominated in U.S. dollars or other currencies or render us unable to meet our costs.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the current policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the removal of the U.S. dollar peg, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. During the period between July 2008 and June 2010, the Renminbi has traded stably within a narrow range against the U.S. dollar. Since June 2010, the Renminbi has started to slowly appreciate further against the U.S. dollar. See "Exchange Rate Information."

There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against foreign currencies. Any significant fluctuations in the exchange rate between the Renminbi and the U.S. dollar may materially and adversely affect our cash flows, revenues, earnings and financial position and the amount of and any dividends we may pay on the ADSs in U.S. dollars. Any fluctuations in the exchange rate between the Renminbi and the U.S. dollar could also result in foreign currency translation losses for financial reporting purposes.

PRC regulations relating to the establishment of offshore special purpose companies by PRC domestic residents and registration requirements for employee stock ownership plans or share option plans may subject our PRC resident beneficial owners or the plan participants to personal liability, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

The State Administration of Foreign Exchange, or the SAFE, issued a public notice in October 2005 requiring PRC domestic residents to register with the local SAFE branches before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an "offshore special purpose company." PRC domestic residents who are shareholders of offshore special purpose companies and have completed round trip investments but did not make foreign exchange registrations for overseas investments before November 1, 2005 were retroactively required to register with the local SAFE branches before March 31, 2006. PRC resident shareholders are also required to amend their registrations with local SAFE branches in certain circumstances.

We have requested PRC residents that, to our knowledge, hold direct or indirect interest in our company to make the necessary applications, filings and amendments as required under the SAFE regulations.

Mr. Quji (Alan) GUO, Mr. Xin (Kevin) WEN, Mr. Liang ZHANG and Mr. Jun LIU, all of whom are PRC domestic residents and hold interests in our company, have registered with the Shenzhen SAFE branch and have amended certain applicable registrations with the Shenzhen SAFE branch.

They will also amend their registrations after the completion of this offering. However, they may not successfully amend their foreign exchange registrations with the Shenzhen SAFE branch in full compliance with the SAFE notice after this offering. In addition, we may not be fully informed of the identities of all of our beneficial owners who are PRC residents, we do not have control over our beneficial owners and we cannot provide any assurances that all of our shareholders who are PRC residents will make or obtain any applicable registrations or approvals required by these SAFE regulations. The failure or inability of our PRC resident shareholders and beneficial owners to comply with the registration procedures set forth above may subject us to fines and legal sanctions, restrict our cross-border investment activities or limit our PRC subsidiary's ability to distribute dividends or obtain foreign-exchange-denominated loans for our company.

As it is uncertain how the SAFE regulations will be interpreted or implemented, we cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to more stringent review and approval processes with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC company, we or the owners of such company will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the SAFE regulations. This may restrict our ability to acquire PRC companies and could adversely affect our business and prospects.

In December 2006, the People's Bank of China promulgated the Implementation Rules of the Administrative Measures for Individual Foreign Exchange, or the Individual Foreign Exchange Rules, setting forth the respective requirements for foreign exchange transactions by PRC individuals under either the current account or the capital account. In January 2007, the SAFE issued implementing rules for the Individual Foreign Exchange Rules, which, among other things, specified approval requirements for certain capital account transactions, such as a PRC citizen's participation in the employee stock

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ownership plans or stock option plans of an overseas publicly-listed company. On March 28, 2007, the SAFE promulgated the Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plan or Stock Option Plan of Overseas-Listed Company, or the Stock Option Rule. In February 2012, the SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies, or the Stock Option Notice. This Stock Option Notice replaced the previous Stock Option Rules. The Stock Option Notice simplifies the requirements and procedures for the registration of stock incentive plan participants, especially with respect to the required application documents and the absence of strict requirements on offshore and onshore custodian banks that were stipulated in the Stock Option Rules. Under the Stock Option Notice, PRC resident individuals who are granted stock options by an overseas publicly-listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly-listed company, to register with the SAFE and complete certain other procedures. We and our PRC employees who have been granted stock options will be subject to the Stock Option Notice after we become a publicly-listed company in the United States. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and legal sanctions. See "Regulations Regulations on Employee Stock Option Plans."

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary.

In utilizing the proceeds of this offering in the manner described in "Use of Proceeds," as an offshore holding company of our PRC operating subsidiary, we may make loans or additional capital contributions to our PRC subsidiary. Any loans to our PRC subsidiary, which is a foreign-invested enterprise, cannot exceed statutory limits, being the difference between the registered capital and the investment amount of the PRC subsidiary as approved by the MOFCOM or its local branches and must be approved by and registered with the SAFE or its local branches. In addition, our PRC subsidiary is required to pay withholding tax at the rate of 10% (or a maximum of 7% if the interest is paid to a Hong Kong resident) on our behalf on any interest paid under such shareholder loan. See "Regulations Regulations Relating to Foreign Currency Exchange Foreign Exchange Relating to Foreign Invested Enterprises."

We may also decide to finance our PRC subsidiary by means of capital contributions. According to the relevant PRC regulations on foreign-invested enterprises in China, depending on the amount of total investment and the nature of the business conducted by the relevant subsidiary, capital contributions to foreign-invested enterprises in China are subject to approval by the MOFCOM or its local branches. We may not obtain these government approvals or registrations on a timely basis, if at all, with respect to future loans and capital contributions by us to our PRC subsidiary. If we fail to receive such approvals or registrations, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On August 29, 2008, the SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into Renminbi by restricting how the converted Renminbi may be used. SAFE Circular 142 provides that the Renminbi capital converted from foreign currency registered capital of a foreign invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and unless otherwise provided by law, such Renminbi capital may not be used for equity investments within the PRC. In addition, the SAFE strengthened its oversight of the flow and use of the Renminbi capital converted

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from foreign currency registered capital of a foreign-invested company. The use of such Renminbi capital may not be altered without the SAFE's approval and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 could result in severe monetary or other penalties. We expect that if we convert the net proceeds we receive from this offering into Renminbi, our use of Renminbi funds will be for purposes within the approved business scope of our PRC subsidiary in compliance with SAFE Circular 142. However, we may not be able to use such Renminbi funds to make equity investments in the PRC through our PRC subsidiary.

Furthermore, the SAFE promulgated the Notice on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Business, or Circular 59, on November 19, 2010, which requires the government to closely examine the authenticity of settlement of net proceeds from offshore offerings and the net proceeds to be settled in the manner described in the offering documents. Circular 142 and Circular 59 may significantly limit our ability to transfer the net proceeds from this offering to Lanting Jishi and our VIEs and convert such net proceeds into Renminbi, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

We may be deemed a PRC resident enterprise under the New EIT Law and be subject to PRC taxation on our income.

Under the Enterprise Income Tax Law of the PRC, or the New EIT Law, and its implementation rules, both of which became effective on January 1, 2008, an enterprise established outside of the PRC with "de facto management bodies" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." The State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in China. Further to Circular 82, on July 27, 2011, the SAT issued the Administrative Measures of Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (Trial), or Bulletin No. 45, which took effect on September 1, 2011, to provide more guidance on the implementation of Circular 82. See "Regulations Regulations on Tax PRC Enterprise Income Tax."

According to Circular 82, a Chinese-controlled offshore-incorporated enterprise will be regarded as a PRC tax resident by virtue of having a "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions set forth in Circular 82 are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC. In addition, Bulletin No. 45 provides clarification on the resident status determination, post-determination administration and competent tax authorities. It also specifies that when provided with a copy of PRC resident determination certificate from a resident Chinese-controlled offshore-incorporated enterprise, the payer should not withhold 10% income tax when paying certain Chinese-sourced income such as dividends, interest and royalties to the PRC-controlled offshore-incorporated enterprise.

Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and

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administration clarification made in the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

Although we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises or meet all of the conditions above, it is possible that the PRC tax authorities could reach a different conclusion. In such case, we may be considered a resident enterprise and may therefore be subject to enterprise income tax at a rate of 25% on our global income. If we are considered a resident enterprise and earn income other than dividends from our PRC subsidiary, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

Pursuant to the New EIT Law and its implementation rules, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign investors, which are non-PRC tax resident enterprises without an establishment in China, or whose income has no connection with their institutions and establishments inside China, are subject to withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. We are a Cayman Islands holding company and we plan to conduct substantially all of our business in China through Lanting Jishi, which is 100% owned by Light In the Box Limited, our wholly owned subsidiary located in Hong Kong. According to the Mainland and Hong Kong Special Administrative Region Arrangements on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, or the Double Taxation Avoidance Arrangement, dividends that Light In The Box Limited receives from Lanting Jishi may be subject to withholding tax at a rate of 5%, provided that: (a) Light In The Box Limited is determined by the relevant PRC tax authorities to be a "non-resident enterprise" under the New EIT Law; (b) Light In The Box Limited is the beneficial owner of the PRC sourced income; (c) Light In The Box Limited holds at least 25% of the equity interest of Lanting Jishi and (d) all other conditions and requirements under the Double Tax Avoidance Arrangement shall be satisfied. Light In The Box Limited has not obtained the approval for a withholding tax rate of 5% from the local tax authority and does not plan to obtain such approval in the near future, as Lanting Jishi has not paid dividends in the past and does not plan to pay dividends in the future as it may continue to incur losses. In addition, as described above, our company or our Hong Kong subsidiary may be considered a PRC resident enterprise for PRC enterprise income tax purposes, in which case dividends received by it, as the case may be, from our PRC subsidiary would be exempt from the PRC withholding tax because such income is exempt under the New EIT Law for a PRC resident enterprise recipient.

As uncertainties remain regarding the interpretation and implementation of the New EIT Law and its implementation rules, we cannot assure you that if we are regarded as a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would not be subject to any PRC withholding tax at a rate of up to 10%. Similarly, any gain recognized by such non-PRC shareholders or ADS holders on the sale of shares or ADSs, as applicable, may also be subject to PRC withholding tax. Furthermore, if we are considered a PRC resident enterprise and the competent PRC tax authorities consider dividends we pay with respect to our shares or ADSs and the gains realized from the transfer of our shares or ADSs to be income derived from sources within the PRC, such dividends and gains earned by non-resident individuals may be subject to PRC individual income tax at a rate of 20%, unless any such non-resident individuals' jurisdiction has a tax treaty with China that provides for a preferential tax rate or a tax exemption. It is also unclear whether, if we are considered a PRC resident enterprise, holders of our 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. If we are required under PRC law to withhold PRC income tax on our dividends payable to our non-PRC shareholders and ADS holders, or the PRC authorities tax gain recognized by such non-PRC

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shareholders or ADS holders, such investors' investment in our ordinary shares or ADSs may be materially and adversely affected.

The labor contract law and its implementation regulations may increase our operating expenses and may materially and adversely affect our business, financial condition and results of operations.

As the PRC Labor Contract Law, or Labor Contract Law, and the Implementation Regulation for the PRC Labor Contract Law, or Implementation Regulation, have been enforced for only a relatively short period of time, substantial uncertainty remains as to its potential impact on our business, financial condition and results of operations. See "Regulations Labor Laws and Social Insurance." The implementation of the Labor Contract Law and the Implementation Regulation may increase our operating expenses, in particular our human resources costs and our administrative expenses.

In addition, as the interpretation and implementation of these regulations are still evolving, we cannot assure you that our employment practices will at all times be deemed to be in full compliance with the law. In the event that we decide to significantly modify our employment or labor policy or practice, or reduce the number of our sales professionals, the labor contract law may limit our ability to effectuate the modifications or changes in the manner that we believe to be most cost-efficient or otherwise desirable, which could materially and adversely affect our business, financial condition and results of operations. If we are subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and results of operations may be adversely affected. In the event that we decide to significantly modify our employment or labor policy or practice, or reduce the number of our sales professionals, the labor contract law may limit our ability to effectuate the modifications or changes in the manner that we believe to be most cost-efficient or otherwise desirable, which could materially and adversely affect our business, financial condition and results of operations.

PRC labor-related laws and individual income tax obligations expose us to potential penalty risks.

Companies operating in China are generally required to contribute to the mandatory social insurance and housing funds. Lanting Jishi, Lanting Huitong and Shanghai Ouku have not fully contributed to the employee benefit plans as required by applicable PRC regulations. While we believe we have made adequate provisions for any payments due on our audited consolidated financial statements, our prior failure to make payments may constitute a violation of the applicable PRC regulations and, as of March 31, 2013, we were potentially subject to late fees, fines and penalties for up to a maximum of $13.3 million related to employee benefit plans. In addition, we have previously not withheld appropriate amounts of individual income taxes as required by applicable PRC regulations. However, such amounts were substantially paid by us on a voluntary basis in March 2013 to the relevant tax authority. Although as of the date of this prospectus, no action has been initiated by the relevant authorities against us, future fines or levies may materially and adversely affect our results of operations and financial condition.

Any requirement to obtain prior approval required under the M&A Rules and/or any other regulations promulgated by relevant PRC regulatory agencies in the future could delay this offering and failure to obtain this approval, if required, could have a material adverse effect on our business, financial condition and results of operations as well as the trading price of the ADSs and could also create uncertainties for this offering.

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State-Owned Assets Supervision and Administration Commission, the SAT, the State Administration of Industry and Commerce, or the SAIC, the China Securities Regulatory Commission, or the CSRC, and the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which came into effect on September 8, 2006 and was amended on June 22, 2009. The M&A Rules, among other things, include provisions that purport to require that

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an offshore special purpose vehicle formed for the purpose of an overseas listing of a PRC company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

The application of the M&A Rules with respect to this offering and our corporate structure for this offering established under contractual arrangements remains unclear. Our PRC counsel, TransAsia Lawyers, has advised us that we are not required to apply to the relevant PRC regulatory agencies, including the CSRC and the Ministry of Commerce, for approval of this offering or our current corporate structure because:

- the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this regulation;

- we established our PRC subsidiary by means of direct investment rather than by merger or acquisition of the equity or assets of PRC domestic companies; and

- no provision in this regulation clearly classified contractual arrangements as a type of transaction subject to its regulation.

However, we cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as our PRC counsel. If prior approval is required but not obtained, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this offering into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the trading price of the ADSs. The CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for this offering, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding such approval requirement could have a material adverse effect on the trading price of the ADSs.

We may rely on dividends and other cash distributions on equity paid by our subsidiaries to fund future cash and financing requirements we may have, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we may rely on dividends and cash distributed by our Hong Kong subsidiary and may, in the future, rely on dividends and cash distributed by our PRC subsidiary through our Hong Kong subsidiary for our cash requirements. However, current PRC regulations permit our PRC subsidiary to pay dividends only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, under applicable PRC laws, rules and regulations, our PRC subsidiary is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserves until the accumulative amount of such reserves reaches 50% of the respective subsidiary's registered capital. These reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiary incurs debt on its own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us or our Hong Kong subsidiary. If we or our Hong Kong subsidiary require dividends and cash contributions from our PRC subsidiary in the future, any limitation on the ability of our PRC subsidiary to distribute dividends or other payments to us or our Hong Kong subsidiary could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

The audit report included in this prospectus is prepared by auditors who are not 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 prospectus, as auditors of companies that are traded publicly in the United States and a firm registered with the US Public Company Accounting Oversight Board (United States), 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 the Peoples' Republic of 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.

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

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our 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 financial statements.

Recently, the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese affiliates of the "big four" accounting firms, including our auditors, and also against BDO China Dahua. The Rule 102(e) proceedings initiated by the SEC relate to these firms' failure to produce documents, including audit workpapers, to the request of the SEC pursuant to Section 106 of the Sarbanes-Oxley Act of 2002, as the auditors located in the PRC are not in a position lawfully to produce documents directly to the SEC because of restrictions under PRC law and specific directives issued by the China Securities Regulatory Commission, or CSRC. On May 24, 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation, or the MOU, with CSRC and the PRC Ministry of Finance, or MOF, 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. The PCAOB continues to be in discussions with the CSRC and MOF to permit joint inspections in China of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges.

However, the SEC administrative proceedings are ongoing and it is impossible to determine their outcome or the consequences thereof to us. It is also uncertain what effect the MOU will have on the proceedings. The issues raised by the proceedings are not specific to our auditors or to us, but affect equally all audit firms based in China and all China-based businesses with securities listed in the United States. However, if the administrative judge were to find in favor of the SEC under the proceeding and depending upon the remedies sought by the SEC, these audit firms could be barred from practicing before the SEC. As a result, 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 may result in their delisting. Moreover, any negative news about the proceedings against these audit firms may erode investor confidence in China-based, United States listed companies and the market price of the ADSs may be adversely affected.

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Risks Related to the ADSs and This Offering

There has been no public market for our ordinary shares or the ADSs prior to this offering, and you may not be able to resell the ADSs at or above the price you paid, or at all.

Prior to this initial public offering, there has been no public market for our ordinary shares or the ADSs. The ADSs have been approved for listing on the New York Stock Exchange. Our ordinary shares will not be listed or quoted for trading on any exchange. If an active trading market for the ADSs does not develop after this offering, the market price and liquidity of the ADSs will be materially and adversely affected. The initial public offering price for the ADSs was determined by negotiations between us and the underwriters and may bear no relationship to the market price for the ADSs after the initial public offering. We cannot assure you that an active trading market for the ADSs will develop or that the market price of the ADSs will not decline below the initial public offering price.

The market price for the ADSs may be volatile.

In addition to the volatility in the price of the ADSs which could be caused by the materialization of any of the risks described in this section, the securities markets in the United States, China and elsewhere have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of the ADSs.

Our voting structure will limit your ability to influence matters related to change of control and could discourage others from pursuing any change of control transactions that holders of our common shares and ADSs may view as beneficial.

Immediately after the completion of this offering, we will have one class of ordinary shares, and each holder of our ordinary shares is entitled to one vote per share. However, in matters related to change of control, pursuant to our amended and restated memorandum and articles of association, certain founding shareholders, namely Wincore Holdings Limited, a British Virgin Islands company wholly owned by Mr. Quji (Alan) GUO, Vitz Holdings Limited, a British Virgin Islands company wholly owned by Mr. Xin (Kevin) WEN, and Clinet Investments Limited, a British Virgin Islands company wholly owned by Mr. Liang ZHANG, will be entitled to three votes per share in matters related to a change of control. Assuming the underwriters do not exercise their option to purchase additional ADSs, each of Wincore Holdings Limited, Vitz Holdings Limited and Clinet Investments Limited will hold 10.8%, 7.2% and 7.2% of the shares of our company upon completion of this offering, respectively, entitling them to 21.5%, 14.3% and 14.3% of voting rights, respectively, and an aggregate of 50.2% of voting rights in such matters related to a change of control. This voting structure could limit your ability to influence matters related to change of control and could discourage others from pursuing any potential merger, takeover or other change of control transactions that you or other ordinary shareholders may view as beneficial.

You will experience immediate dilution in the net tangible book value of ADSs purchased.

When you purchase ADSs in the offering, you will incur immediate dilution of approximately $7.80 per ADS, representing the difference between the initial public offering price of $9.50 per ADS shown on the front cover of this prospectus, and our pro forma as adjusted net tangible book value per ADS as of March 31, 2013 after giving effect to the conversion of our preferred shares and convertible notes into ordinary shares immediately upon the completion of this offering. See "Dilution." In addition, you may experience further dilution in the net tangible book value of the ADSs purchased to the extent that additional ordinary shares are issued upon exercise of outstanding options and options we may grant from time to time. See "Dilution."

We may need additional capital, and the sale of additional ADSs or other equity securities or incurrence of additional indebtedness could result in additional dilution to our shareholders or increase our debt service obligations.

Historically, we have relied principally on external sources of financing to fund our operations and capital expansion needs. We may require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may pursue. If our resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity, equity-linked or debt securities or enter into a credit facility. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all.

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

Additional sales of our ordinary shares in the public market after this offering, or the perception that these sales could occur, could cause the market price of the ADSs to decline. Upon completion of this offering, we will have 97,912,269 ordinary shares outstanding, including 16,600,000 ordinary shares represented by 8,300,000 ADSs, assuming the underwriters do not exercise their option to purchase additional ADSs. All shares sold in this offering will be freely transferable without restriction or additional registration under the Securities Act of 1933. The remaining ordinary shares outstanding after this offering will be available for sale, upon the expiration of the applicable lock-up period, subject to volume and other restrictions as applicable under Rule 144 under the Securities Act. Any or all of these shares can be released prior to expiration of the lock-up period at the discretion of the representatives of the underwriters for this offering. To the extent shares are released before the expiration of the lock-up period and these shares are sold into the market, the market price of the ADSs could decline.

In addition, certain holders of our ordinary shares after the completion of this offering will have the right to cause us to register the sale of those shares under the Securities Act. Registration of these shares under the Securities Act would result in 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 public market could cause the price of the ADSs to decline.

You may not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.

Except as described in this prospectus and in the deposit agreement, holders of the ADSs will not be able to exercise voting rights attaching to the shares evidenced by the ADSs. You will have a right to instruct the depositary how to exercise those voting rights. However, the depository or its nominee may not successfully comply with your instructions or intentions. You may not receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

You may not be able to participate in rights offerings and may experience dilution of your holdings as a result.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the depositary will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act of 1933, as amended, or the Securities Act, or exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of the ADSs may be unable to participate in our rights offerings and may experience dilution in 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 transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

You may face difficulties in protecting your interests and your ability to protect your rights through the U.S. federal courts may be limited, because we are incorporated under Cayman Islands law, operate all of our business from mainland China and Hong Kong and all of our officers reside outside the United States.

We are incorporated in the Cayman Islands and primarily conduct our operations through our subsidiaries in Hong Kong and mainland China and through our VIEs, Lanting Huitong and its subsidiary, Shanghai Ouku, and Lanting Gaochuang, in China. Most of our directors and officers reside outside the United States and all or a substantial portion of their assets are located outside of the United States. As a result, it may be difficult or impossible for you to bring an original action against us or against these individuals in a Cayman Islands or PRC court 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 China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will generally recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. For more information regarding the relevant laws of the Cayman Islands and China, see "Enforcement of Civil Liabilities."

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law (2012 Revision) and common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, 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 English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands have a less developed body of securities laws as compared to the United States, and provide significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States. As a result, your ability to protect your interests if you are harmed in a manner that would otherwise enable you to sue in a United States federal court may be limited to direct shareholder lawsuits.

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

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Our management will have considerable discretion as to the use of the net proceeds from this offering.

We intend to use the net proceeds of this offering for investment in fulfillment and technology infrastructure, expansion of product offerings and categories, customer acquisition and brand building, payment of interest accrued for our convertible notes issued in March 2012 and general corporate purposes. However, our management will have considerable discretion in the application of the net proceeds received by us. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. The net proceeds may be used for corporate purposes that do not improve our efforts to maintain profitability or increase our share price. The net proceeds from this offering may be placed in investments that do not produce income or that lose value.

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

We are a "foreign private issuer," as such term is defined in Rule 405 under the Securities Act, and are not required to comply with certain periodic disclosure and current reporting requirements of the Exchange Act. In addition, we are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of section 404 of the Sarbanes-Oxley Act of 2002 for up to five fiscal years after the date of this offering. Section 404(b) of the Sarbanes-Oxley Act of 2002 requires our independent registered public accounting firm to attest to and report on the effectiveness of the internal control structure and procedures for financial reporting.

In addition, Section 107(b) of the Jumpstart Our Business Startups Act of 2012 provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the extended transition period. Although as of the date of this prospectus, we have not delayed the adoption of any accounting standard, as a result of this election, our future financial statements may not be comparable to other public companies that comply with the public company effective dates for these new or revised accounting standards.

We will cease to be an "emerging growth company" upon the earliest of: (i) the last day of the fiscal year during which we have gross revenues of $1 billion or more, (ii) the last day of the fiscal year following the fifth anniversary of the date of this offering, (iii) the date on which we have issued more than $1 billion in non-convertible debt during the previous three-year period, or (iv) when we become a "large accelerated filer," as defined in Rule 12b-2 under the Exchange Act.

We cannot predict if investors will find our ADSs less attractive because we may rely on these exemptions. If some investors find our ADSs less attractive as a result, there may be a less active trading market for our ADSs and the trading price of our ADSs may be more volatile.

We will incur additional costs as a result of becoming a public company.

As a public company, we will incur significant legal, accounting and other expenses that we did not have as a private company prior to this offering. In addition, new rules and regulations relating to information disclosure, financial reporting and control and corporate governance, which could be adopted by the Securities and Exchange Commission, or the SEC, the New York Stock Exchange and other regulatory bodies and exchange entities from time to time, could result in a significant increase in

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legal, accounting and other compliance costs and to make certain corporate activities more time-consuming and costly, which could materially affect our business, financial condition and results of operations.

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

Based on the past and projected composition of our income and valuation of our assets, including goodwill, we do not believe that we were a passive foreign investment company (a "PFIC") for 2012, and we do not expect to become one in the current year or the foreseeable future, although there can be no assurance in this regard. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, for any taxable year we will be classified as a PFIC for United States federal income tax purposes if either (i) 75% or more of our gross income in that taxable year is passive income or (ii) the average percentage of our assets by value in that taxable year which produce or are held for the production of passive income (which includes cash) is at least 50%. The calculation of the value of our assets will be based, in part, on the quarterly market value of our ordinary shares and ADSs, which is subject to change. See "Taxation Material United States Federal Income Tax Considerations."

In addition, there is uncertainty as to the treatment of our corporate structure and ownership of our VIEs for United States federal income tax purposes. If it is determined that we do not own the stock of our VIEs for United States federal income tax purposes, we may be treated as a PFIC.

If we are a PFIC for any taxable year during which you hold the ADSs or ordinary shares, such characterization could result in adverse United States federal income tax consequences to you if you are a United States Holder, as defined under "Taxation Material United States Federal Income Tax Considerations." For example, if we are or become a PFIC, you may become subject to increased tax liabilities under United States federal income tax laws and regulations, and will become subject to burdensome reporting requirements. See "Taxation Material United States Federal Income Tax Considerations." We cannot assure you that we will not be a PFIC for 2013 or any future taxable year. Moreover, the determination of our PFIC status is based on an annual determination that cannot be made until the close of a taxable year, and involves extensive factual investigation, including ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income we earn, as discussed under "Taxation Material United States Federal Income Tax Considerations Passive Foreign Investment Company." Our United States counsel expresses no opinion with respect to our PFIC status.

Our fourth 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 ordinary shares and ADSs.

Our fourth amended and restated memorandum and articles of association, which will become effective upon the completion of this offering, contain provisions limiting the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. 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. For example, under our amended and restated memorandum and articles of association, on a resolution relating to (a) a merger, amalgamation, consolidation or similar transaction involving our company, (b) the filing of a petition for a scheme of arrangement involving our company, or the giving of consent to such a filing or the co-operation by our company in the making of such filing, and (c) a sale, transfer or other disposition of all or substantially all of the assets of our company, Wincore Holdings Limited, a British Virgin Islands company wholly owned by Mr. Quji (Alan) GUO, Vitz Holdings Limited, a British Virgin Islands company wholly owned by Mr. Xin (Kevin) WEN, and Clinet Investments Limited, a British Virgin Islands company

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wholly owned by Mr. Liang ZHANG, will be entitled to three votes per share held by them, and the remaining shareholders will be entitled to one vote per share held.

Furthermore, 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 ordinary shares, in the form of ADSs 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 the ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties, including statements based on our current expectations, assumptions, estimates and projections about us and our industry. The forward-looking statements are contained principally in the sections entitled "Prospectus Summary," "Risk Factors," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Our Business." 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. The forward-looking statements included in this prospectus relate to, among others:

- our growth strategies;
- our future business development, results of operations and financial condition;
- trends in online consumer retailing;
- trends in Chinese manufacturing;
- expected changes in our revenues and certain cost and expense items;
- our proposed use of proceeds from this offering; and
- assumptions underlying or related to any of the foregoing.

This prospectus also contains market data relating to the global retail and online retail industry, the China consumer goods export market and the global online retail market for Chinese consumer goods exports that includes projections based on a number of assumptions. This prospectus also contains statistical data and estimates that we obtained from a report conducted by iResearch in June 2011 and updated in May 2012 and February 2013 at our request and commissioned by us for the purposes of this offering. The global retail and online retail industry, the China consumer goods export market and the global online retail market for Chinese consumer goods exports may not grow at the rates projected by market data, or at all. The failure of these industries or markets to grow at the projected rates may have a material adverse effect on our business and the market price of the ADSs. If any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. 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 prospectus and the documents that we have referred to in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately $70.1 million, or approximately $71.8 million if the underwriters exercise their option to purchase additional ADSs from us in full, after deducting underwriting discounts and the estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.

We plan to use net proceeds of this offering to finance the operations of our business, including the following:

- approximately $15 million for investments in fulfillment and technology infrastructure;
- approximately $15 million for expansion of product offerings and categories;
- approximately $15 million for customer acquisition and brand building; and
- approximately $1.1 million for payment of interest accrued for our convertible notes issued in March 2012.

We will use the remaining portion of the net proceeds we receive from this offering for general corporate purposes. If the underwriters exercise their option to purchase additional ADSs in full, we intend to apply the additional net proceeds in the same manner and in the same proportions as described above.

The foregoing represents our intentions as of the date of this prospectus with respect of the use and allocation of the net proceeds of this offering based upon our present plans and business conditions, but our management will have significant flexibility and discretion in applying the net proceeds of the offering. The occurrence of unforeseen events or changed business conditions may result in application of the proceeds of this offering in a manner other than as described in this prospectus.

To the extent that the net proceeds we receive from this offering are not immediately applied for the above purposes, we intend to invest our net proceeds in short-term, interest bearing, debt instruments or bank deposits.

In utilizing the proceeds of this offering, we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiary only through loans or capital contributions and to other entities only through loans. Subject to satisfaction of applicable government registration and approval requirements, we may extend inter-company loans to our PRC subsidiary or make additional capital contributions to our PRC subsidiary to fund their capital expenditures or working capital. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. See "Risk Factors Risks Related to Doing Business in China PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary."

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DIVIDEND POLICY

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

Any future determination to pay dividends will be made at the discretion of our board of directors 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 the ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Description of American Depositary Shares." Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

We are a holding company incorporated in the Cayman Islands. In order for us to distribute any dividends to our shareholders and ADS holders, we may rely on dividends and cash distributed by our Hong Kong subsidiary and may, in the future, rely on dividends and cash distributed by our PRC subsidiary through our Hong Kong subsidiary for the cash requirement of the holding company. Certain payments from our PRC subsidiary to us are subject to PRC taxes, such as withholding income 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. Each of our PRC subsidiary, VIEs and Shanghai Ouku, the subsidiary of Lanting Huitong, is required to set aside at least 10% of its after-tax profit based on PRC accounting standards every year to certain statutory reserves until the accumulated amount of such reserves reaches 50% of its respective registered capital. Such statutory reserves are not distributable as loans, advances or cash dividends. Our PRC subsidiary, VIEs and Shanghai Ouku are also required to set aside a certain amount of its after-tax profits each year, if any, to fund a private fund for employees. The specific size of the employee fund is at the discretion of the relevant entity. These reserve funds can only be used for specific purposes and are not transferable to the company's parent in the form of loans, advances or dividends. See "Risk Factors Risks Related to Doing Business in China We may rely on dividends and other cash distributions on equity paid by our subsidiaries to fund any cash and financing requirements we may have and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business."

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CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2013 presented on:

- an actual basis;

- a pro forma basis to reflect the automatic conversion of all our outstanding preferred shares into 42,174,290 of our ordinary shares immediately upon the completion of this offering; and

- a pro forma as adjusted basis to give effect to (i) the automatic conversion of all our outstanding preferred shares into 42,174,290 of our ordinary shares immediately upon the completion of this offering, (ii) the automatic conversion of our convertible notes issued in March 2012 into 2,224,610 ordinary shares immediately upon the completion of this offering, based on a conversion price of $3.60 per ordinary share, which, pursuant to the convertible notes, is calculated by dividing $350 million by the sum of (x) total ordinary shares and preferred shares outstanding immediately prior to the completion of our initial public offering and (y) total shares available for issuance under the Amended and Reinstated 2008 Share Incentive Plan, with the result multiplied by 0.85 and (iii) the issuance and sale of 16,600,000 ordinary shares in the form of ADSs offered hereby at the initial public offering price of $9.50 per ADS, after deducting underwriting discounts, commissions and estimated offering expenses payable by us and assuming no exercise of the underwriters' option to purchase additional ADSs.

The convertible notes in the aggregate principal amount of $8.0 million issued in March 2012 were recorded as a current liability on our balance sheet as of March 31, 2013. A beneficial conversion feature of $2.1 million had resulted as the estimated maturity conversion price as of March 31, 2013 was lower than the fair value of the ordinary shares on the issuance date and was recognized as additional paid-in capital with a corresponding entry in debt discount. The debt discount is amortized over the term of the convertible notes using the effective interest method. During the three months ended March 31, 2013, the amortized discount of $0.3 million and accrued interest of $0.2 million were included as part of interest expenses in our consolidated statements of operation. The net carrying amount of the convertible notes was $8.4 million as of March 31, 2013. In the case of a qualified financing event occurring before maturity, the beneficial conversion feature will be reassessed and any unamortized balance of the debt discount upon the conversion will be recognized as expenses in the statements of operations; and all interest accrued under the convertible notes will become due and payable in cash.

You should read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

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	As of March 31, 2013		
	Actual	Pro Forma	Pro Forma as Adjusted[(1)]
	(U.S. dollars in thousands)		
Convertible notes, net of discount due to beneficial conversion feature	8,363	8,363	
Series C convertible redeemable preferred shares ($0.000067 par value; 9,651,565 shares authorized, issued and outstanding, nil shares issued and outstanding on a pro forma basis and on a pro forma as adjusted basis)	42,409		
Equity:			
Series A convertible preferred shares ($0.000067 par value; 15,000,000 shares authorized, issued and outstanding, nil shares issued and outstanding on a pro forma basis and on a pro forma as adjusted basis)	5,000		
Series B convertible preferred shares ($0.000067 par value; 17,522,725 shares authorized, issued and outstanding, nil shares issued and outstanding on a pro forma basis and on a pro forma as adjusted basis)	11,270		
Ordinary shares ($0.000067 par value; 707,825,710 shares authorized; 36,908,058 shares issued and outstanding, 79,082,348 shares issued and outstanding on a pro forma basis, and 97,844,914 shares issued and outstanding on a pro forma as adjusted basis)	2	5	6
Additional paid-in capital	10,878	69,554	146,994
Statutory reserve			
Accumulated deficit	(63,509)	(63,509)	(63,509)
Accumulated other comprehensive loss	(37)	(37)	(37)
Equity (deficit)	(36,396)	6,013	83,454
Total	$ 14,376	$ 14,376	$ 83,454

(1) Assumes that the underwriters do not exercise their option to purchase additional ADSs.

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DILUTION

If you invest in the ADSs, your interest will be diluted for each ADS you purchase to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per ordinary share is substantially in excess of the net tangible book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares.

Net tangible book value represents the amount of our total consolidated tangible assets less the amount of our intangible assets, goodwill, total consolidated liabilities and our Series A, Series B and Series C preferred shares.

Our net tangible book value as of March 31, 2013 was approximately negative $52.7 million, or negative $1.43 per ordinary share and negative $2.86 per ADS as of that date.

Pro forma net tangible book value is determined by adjusting net tangible book value per share as of March 31, 2013 to give effect to the conversion of all outstanding Series A, Series B and Series C preferred shares into ordinary shares upon the completion of this offering.

Pro forma as adjusted net tangible book value is determined by adjusting net tangible book value per share as of March 31, 2013 to give effect to:

- the automatic conversion of all outstanding Series A, Series B and Series C preferred shares into ordinary shares upon the completion of this offering;

- the automatic conversion of our convertible notes issued in March 2012 into 2,224,610 ordinary shares immediately upon the completion of this offering, based on a conversion price of $3.60 per ordinary share, which, pursuant to the convertible notes, is calculated by dividing $350 million by the sum of (i) total ordinary shares and preferred shares outstanding immediately prior to the completion of our initial public offering and (ii) total shares available for issuance under the Amended and Reinstated 2008 Share Incentive Plan, with the result multiplied by 0.85; and

- our sale of the ADSs offered in this offering at the initial public offering price of $9.50 per ADS, with estimated net proceeds of $70.1 million after deducting underwriting discounts and commissions and estimated offering expenses, payable by us. This assumes no exercise by the underwriters of their option to purchase additional ADSs.

Our pro forma as adjusted net tangible book value as of March 31, 2013 would have been $83.5 million or $0.85 per ordinary share, including ordinary shares underlying our outstanding ADSs, and $1.70 per ADS. This represents an immediate increase in net tangible book value of $0.77 per ordinary share, or $1.54 per ADS, to existing shareholders and an immediate dilution in net tangible book value of $3.90 per ordinary share, or $7.80 per ADS, to new investors in this offering.

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The following table illustrates such dilution:

	Per Ordinary Share	Per ADS
Net tangible book value as of March 31, 2013	$ (1.43)	$ (2.86)
Increase in net tangible book value per share attributable to conversion of our Series A, Series B and Series C preferred shares	$ 1.51	$ 3.02
Pro forma net tangible book value per share after giving effect to the conversion of our Series A, Series B and Series C preferred shares	$ 0.08	$ 0.16
Increase in net tangible book value attributable to this offering	$ 0.71	$ 1.42
Increase in net tangible book value attributable to the conversion of our convertible notes	$ 0.06	$ 0.12
Pro forma as adjusted net tangible book value per share after giving effect to the conversion of our Series A, Series B and Series C preferred shares, the conversion of our convertible notes and this offering	$ 0.85	$ 1.70
Initial public offering price	$ 4.75	$ 9.50
Amount of dilution to new investors in the offering	$ 3.90	$ 7.80

The following table summarizes on a pro forma basis the differences as of March 31, 2013 between the shareholders at March 31, 2013 and the new investors with respect to the number of ordinary shares purchased from us, the total consideration paid and the average price per ordinary share paid. The total ordinary shares do not include ADSs issuable if the options to purchase our ordinary shares are exercised by underwriters.

	Ordinary Shares Purchased		Total Consideration		Average Price per Ordinary Share	Average Price per ADS
	Number	Percent	Amount	Percent		
Existing shareholders	79,020,304	81%	66,668,000	43%	0.84	1.68
New investors	18,824,610*	19%	86,850,000	57%	4.61	9.22
Total	97,844,914	100%	153,518,000	100%	1.57	3.14

* Includes 2,224,610 ordinary shares issuable upon the automatic conversion of our convertible notes immediately upon the completion of this offering.

The discussion and tables above also do not take into consideration any outstanding share options and unvested restricted shares. As of the date of this prospectus, there were 2,067,500 and 1,524,538 ordinary shares issuable upon the exercise of outstanding share options and vesting of restricted shares issued to employees, respectively. To the extent that any of these options are exercised or any of these restricted shares become vested, there will be further dilution to new investors.

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EXCHANGE RATE INFORMATION

Our functional and reporting currency is the U.S. dollar. Most of our revenues are denominated in U.S. dollars with certain revenues denominated in Renminbi while our expenses are primarily denominated in U.S. dollars with certain expenses denominated in Renminbi. Monetary assets and liabilities denominated in currencies other than the U.S. dollar are translated into the U.S. dollar at the exchange rates at the balance sheet date. Transactions in currencies other than the U.S. dollar during the year are converted into U.S. dollars at the applicable exchange rates prevailing at the first day of the month when the transactions occurred. This prospectus contains translations of Renminbi amounts into U.S. dollars at specific rates. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus were made at a rate of RMB6.2108 to $1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on March 29, 2013. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, at 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 Renminbi into foreign exchange and through restrictions on foreign trade. On May 31, 2013, the noon buying rate was RMB6.1340 to $1.00.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you. For all dates and periods through December 31, 2008, exchange rates of Renminbi into U.S. dollars are based on the noon buying rate in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. For January 1, 2009 and all later dates and periods, the exchange rate refers to the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board.

	Noon Buying Rate			
Period	**Period End**	**Average[(1)]**	**Low**	**High**
		(RMB per $1.00)		
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7696	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.3080	6.3879	6.2221
December	6.2301	6.2328	6.2502	6.2251
2013				
January	6.2186	6.2215	6.2303	6.2134
February	6.2213	6.2323	6.2438	6.2213
March	6.2108	6.2154	6.2246	6.2105
April	6.1647	6.1861	6.2078	6.1647
May	6.1340	6.1416	6.1665	6.1213

Source: Federal Reserve Statistical Release

(1) Annual averages are calculated using the average of the rates on the last business day of each month during the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant month.

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ENFORCEMENT OF CIVIL LIABILITIES

We are registered under the laws of the Cayman Islands as an exempted company with limited liability. We are registered in the Cayman Islands because of certain benefits associated with being a Cayman Islands corporation, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of foreign exchange control or currency restrictions and the availability of professional and support services. However, the Cayman Islands have a less developed body of securities laws as compared to the United States and provide protections for investors to a significantly lesser extent. In addition, Cayman Islands companies may not have standing to sue before the federal courts of the United States.

A substantial portion of our assets are located in China. In addition, most of our directors and officers are residents of jurisdictions other than the United States and all or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. It may also be difficult for you to enforce in United States courts judgments obtained in United States courts based on the civil liability provisions of the United States federal securities laws against us, our directors and officers.

We have appointed Law Debenture Corporate Services Inc. as our agent to receive service of process with respect to any action brought against us in the United States District Court for the Southern District of New York under the federal securities laws of the United States or of any state in the United States or any action brought against us in the Supreme Court of the State of New York in the County of New York under the securities laws of the State of New York.

Maples and Calder, our counsel as to Cayman Islands law, and TransAsia Lawyers, our counsel as to PRC law, have advised us that there is uncertainty as to whether the courts of the Cayman Islands or the PRC would, respectively, (i) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (ii) entertain original actions brought in the Cayman Islands or the PRC against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Maples and Calder has informed us that the uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the United States courts under civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman company. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether they would be enforceable in the Cayman Islands. Maples and Calder has further advised us that a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings as a debt in the courts of the Cayman Islands under the common law doctrine of obligation.

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TransAsia Lawyers has advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedure Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedure Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. TransAsia Lawyers has advised us further that under PRC law, a foreign judgment, which does not otherwise violate basic legal principles, state sovereignty, safety or social public interest, may be recognized and enforced by a PRC court, based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. As there existed no treaty or other form of reciprocity between China and the United States governing the recognition and enforcement of judgments as of the date of this prospectus, including those predicated upon the liability provisions of the United States federal securities laws, there is uncertainty whether and on what basis a PRC court would enforce judgments rendered by United States courts.

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OUR HISTORY AND CORPORATE STRUCTURE

Our History and Development

We were founded in June 2007 by Mr. Quji (Alan) GUO, Mr. Xin (Kevin) WEN, Mr. Liang ZHANG, Mr. Jun LIU and Mr. Chit Jeremy CHAU. We operated our business at the time through Light In The Box Limited. In March 2008, we incorporated LightInTheBox Holding Co., Ltd., which, through a corporate restructuring, became our ultimate holding company.

We currently conduct our business primarily through the following wholly owned subsidiaries and affiliated entities:

- Light In The Box Limited, our wholly owned subsidiary incorporated in Hong Kong in June 2007, that primarily engages in product sourcing, marketing and the operation of our websites and the sale of our products targeted towards consumers outside of China;

- Lanting Jishi Trade (Shenzhen) Co. Ltd., or Lanting Jishi, our wholly owned subsidiary incorporated in the PRC in October 2008, that primarily engages in providing supplier and warehouse management services for Light In The Box Limited;

- Shenzhen Lanting Huitong Technologies Co. Ltd., or Lanting Huitong, a company incorporated in the PRC in June 2008 by certain of our directors and executive officers which is our consolidated VIE through a series of contractual arrangements. Lanting Huitong primarily engages in technology research and development and support, the operation of certain of our websites in China and the general operations of our business in China;

- Shanghai Ouku Network Technologies Co., Ltd., or Shanghai Ouku, a PRC incorporated company that was acquired in May 2010 from its then shareholders for $2.2 million (RMB14.3 million) and is wholly owned by Lanting Huitong. Shanghai Ouku primarily engages in the product sourcing, marketing, fulfillment and the operation of our websites targeted towards consumers in China; and

- Beijing Lanting Gaochuang Technologies Co., Ltd., or Lanting Gaochuang, a company incorporated in the PRC in December 2011 by Mr. GUO, and Lanting Huitong, our consolidated VIE through a series of contractual arrangements. Lanting Gaochuang primarily engages in technology research and development.

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The following diagram illustrates our corporate structure as of the date of this prospectus:

(1) Such arrangements include exclusive technical and consulting service agreements, business operation agreements, equity disposal agreements, share pledge agreements, powers of attorney, spousal consent letters (applicable only to Lanting Huitong) and a loan agreement (applicable only to Lanting Gaochuang).

(2) The shareholders of Shenzhen Lanting Huitong Technologies Co. Ltd. are Mr. Quji (Alan) GUO, our chairman and chief executive officer, Mr. Xin (Kevin) WEN, our director and co-president, Mr. Liang ZHANG, our director and co-president, and Mr. Jun LIU, our senior vice-president of operations.

(3) Mr. Quji (Alan) GUO holds the other 51% of the equity interest in Beijing Lanting Gaochuang Technologies Co., Ltd.

Contractual Arrangements Among Lanting Jishi, our VIEs and the Respective Shareholders of our VIEs

Foreign ownership of Internet-based businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates Internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other government regulations. We are a Cayman Islands company and our wholly owned PRC subsidiary, Lanting

Jishi, is a wholly foreign owned enterprise and is restricted from holding the relevant licenses that are essential to the operations of our PRC business. Accordingly, we conduct the operation of our domestic websites in China primarily through Lanting Huitong, which we control through a series of contractual arrangements, and its subsidiary, Shanghai Ouku. The registered

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shareholders of Lanting Huitong are our directors and executive officers who hold our shares, including Mr. Quji (Alan) GUO, Mr. Xin (Kevin) WEN, Mr. Liang ZHANG and Mr. Jun LIU.

We conduct certain research and development functions through Lanting Gaochuang, which we control through similar contractual arrangements. Mr. Quji (Alan) GUO and Lanting Huitong hold 51% and 49% of Lanting Gaochuang, respectively. Lanting Gaochuang's ownership structure enables it to join a special economic zone within the Wangjing Hi-Tech Industry Zone, the China Beijing Wangjing Overseas Students Pioneer Park, or the Wangjing Pioneer Park, which is reserved for domestic enterprises that are held by Chinese nationals who have previously studied overseas. As Lanting Gaochuang is majority-owned by Mr. GUO, a Chinese national who has studied overseas, Lanting Gaochuang enjoys certain benefits provided by the Wangjing Pioneer Park, which include reduced rents and other benefits aimed to encourage the development of technically innovative companies. In addition, Lanting Gaochuang was qualified as a "software enterprise" in 2012 which entitles it to certain tax benefits. See "Regulations Regulations on Tax PRC Enterprise Income Tax" for more information regarding tax benefits provided to "software enterprises."

Through contractual arrangements with our VIEs and their respective shareholders, we receive substantially all of the economic benefits of our VIEs as their primary beneficiary. The financial results of our VIEs are consolidated into our financial statements despite the lack of our equity interest in them. We derived an aggregate of 7.9%, 4.3%, 1.4% and 0.3% of our consolidated net revenues from Lanting Huitong and Shanghai Ouku in 2010, 2011, 2012 and the three months ended March 31, 2013, respectively. We have not derived any consolidated net revenues from Lanting Gaochuang since its inception in December 2011, and we do not expect to derive any significant contributions to our consolidated net revenues from Lanting Gaochuang going forward, if at all. We believe the consolidation is necessary to fairly present the financial position and results of operations of our company because of the existence of a parent-subsidiary relationship through contractual arrangements, which enables us to:

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

The following is a summary of the currently effective contractual arrangements among Lanting Jishi, our VIEs, and the shareholders of our VIEs:

Agreements that provide Lanting Jishi effective control over the VIEs

Powers of attorney: Each registered shareholder of our VIEs has executed a power of attorney appointing Lanting Jishi to be his or her attorney, and irrevocably authorizing them to vote on his or her behalf on all of the matters concerning our VIEs that may require shareholders' approval, including nominating and electing directors, general managers and other executive officers. The powers of attorney will be valid as long as the registered shareholders remain as shareholders of our VIEs.

Equity disposal agreements: Under the Equity Disposal Agreements entered into among Lanting Jishi, our VIEs, and the shareholders of our VIEs, Lanting Jishi or its designated party has exclusive options to purchase, when and to the extent permitted under PRC law, all or part of the equity interest in our VIEs. The exercise price for the options to purchase all or part of the equity interest will be the minimum amount of consideration permissible under the then applicable PRC law. The agreements will be valid until Lanting Jishi or its designated party purchases all the shares from shareholders of our VIEs.

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Spousal consent letters: Under the spousal consent letters, the spouses of certain shareholders of Lanting Huitong acknowledged that a certain percentage of the equity interest in Lanting Huitong held by and registered in the name of their respective spouse will be disposed of pursuant to the equity disposal agreement and share pledge agreement. These spouses understand that such equity interest is held by their respective spouse on behalf of Lanting Jishi, and they will not take any action to interfere with the disposition of such equity interests, including, without limitation, claiming that such equity interest constitute communal property of marriage. The spousal consent letters will be valid until the liquidation of Lanting Huitong, unless terminated earlier at Lanting Jishi's sole discretion.

Loan agreement: Under the loan agreement entered into in December 2011 between Lanting Jishi and Mr. Quji (Alan) GUO, Lanting Jishi extended a loan in the amount of RMB255,000 ($40,492) to Mr. GUO for his contribution of 51% of the registered capital of Lanting Gaochuang. Under this agreement, Mr. GUO agreed that without prior written consent from Lanting Jishi, Lanting Gaochuang may not enter into any transaction that could materially affect its assets, liabilities, interests or operations, and there will be no earnings distribution in any form by Lanting Gaochuang before such loan has been repaid. Mr. GUO also agreed that at the request of Lanting Jishi, all or part of the equity interests held in Lanting Gaochuang shall be promptly and unconditionally transferred to Lanting Jishi or a designated third party in accordance with PRC law. This loan can only be repaid by transferring all of Mr. GUO's equity interest in Lanting Gaochuang to Lanting Jishi or a third party designated by Lanting Jishi, and submitting all proceeds from such transaction to Lanting Jishi. The loan agreement has a term of ten years and will be extended automatically, unless indicated otherwise by Lanting Jishi in writing three months prior to the expiration date.

Agreements that transfer economic benefits to Lanting Jishi

Business operation agreements: Under the Business Operation Agreements entered into among Lanting Jishi, our VIEs, and the shareholders of our VIEs, the registered shareholders of our VIEs and our VIEs agreed that our VIEs may not enter into any transaction that could materially affect their assets, liabilities, interests or operations without prior written consent from Lanting Jishi or other party designated by Lanting Jishi, including entry into any loan or other debtor-creditor relationship with any third party or the making of any equity investment in any third party, the sale or purchase of any asset or right to or from any third party or creation of guarantees or any other security on any of its assets in favor of any third party, or creation of any other obligation on any of its assets. In addition, directors, supervisors, chairman, general managers, financial controllers or other senior managers of our VIEs must be Lanting Jishi's nominees. Furthermore, our VIEs and their registered shareholders have agreed to accept and stringently implement proposals set forth by Lanting Jishi regarding employment and business and financial management. Lanting Jishi is entitled to any dividends declared by our VIEs. The business operation agreements will be valid until the liquidation of our VIEs, unless terminated earlier at Lanting Jishi's sole discretion.

Exclusive technical support and consulting service agreements: Under the Exclusive Technical Support and Consulting Service Agreements entered into between Lanting Jishi and our VIEs, Lanting Jishi agreed to provide our VIEs with technology support and consulting services, including the maintenance of computer rooms and websites, the provision of technology platforms required for operations, provision and maintenance of office networks, the conception, configuration, design, updating and maintenance of web pages, the maintenance of customer service platforms, employee training, advertisements, publicity and promotions, and provision of logistics support for product sales and services. Our VIEs agreed to pay a service fee equal to substantially all of their net income, an amount equivalent to the amount of the respective VIEs' operating revenue for the then current quarter after the deduction of: (1) working capital necessary for the maintaining of the daily operations of the respective VIEs; and (2) the amount of cash required for the respective VIEs' capital expenditures. The exclusive technical support and consulting service agreements will be valid until the liquidation of our VIEs, unless terminated earlier at Lanting Jishi's sole discretion.

Share pledge agreements: Under the Share Pledge Agreements entered into among Lanting Jishi, our VIEs, and the shareholders of our VIEs, the registered shareholders of our VIEs pledged all of their respective equity interest in favor of Lanting Jishi to secure our VIEs and their shareholders' obligations under the various contractual agreements, including the business operation agreements and the exclusive technical support and consulting service agreements described above. If our VIEs or any of their respective registered shareholders breach any of their respective contractual obligations under these agreements, Lanting Jishi, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interest. The registered shareholders of our VIEs agreed not to transfer, sell, pledge, dispose of or otherwise create any new encumbrance on their respective equity interest in our VIEs, without Lanting Jishi's prior written consent. Unless terminated at Lanting Jishi's sole discretion, the share pledge agreements will be valid until our VIEs and their shareholders fulfill all contractual obligations under the business operation agreements, the exclusive technical support and consulting service agreements and the equity disposal agreements. Our PRC counsel, TransAsia Lawyers, has advised us that the pledges on the equity interest of our VIEs were created and are effective as such pledges have already been registered with the relevant local branch of the SAIC in accordance with the PRC Property Rights Law.

Arrangements between our Hong Kong subsidiary, Lanting Jishi and Lanting Huitong

Our Hong Kong subsidiary, Light In The Box Limited, and its PRC subsidiary, Lanting Jishi, have entered into and performed several business information and logistics services agreements, pursuant to which our Hong Kong subsidiary paid service fees to our PRC subsidiary for certain information and logistics services. In addition, our Hong Kong subsidiary and our VIE, Lanting Huitong, entered into and performed a consulting service agreement and several software development service agreements, pursuant to which our Hong Kong subsidiary paid service fees to Lanting Huitong for the consulting and software development services.

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SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated statements of operations data for 2010, 2011 and 2012, and the selected consolidated balance sheet data as of December 31, 2011 and 2012 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our audited consolidated financial statements are prepared in accordance with U.S. GAAP and have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm. The report of Deloitte Touche Tohmatsu Certified Public Accountants LLP on those consolidated financial statements is also included elsewhere in this prospectus. Our selected consolidated statements of operations data for 2008 and 2009 and the selected consolidated balance sheet data as of December 31, 2008, 2009 and 2010 has been derived from our audited consolidated financial statements not included in this prospectus.

The selected consolidated statement of operations data for the three months ended March 31, 2012 and 2013 and the selected consolidated balance sheet data as of March 31, 2013 have been derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and include all normal recurring adjustments that we consider necessary for a fair presentation of our financial position and operating results for the periods presented.

The following selected consolidated financial data for the periods and as of the dates indicated are qualified by reference to and should be read in conjunction with our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," both of which are included elsewhere in this prospectus.

Our historical results for any prior period do not necessarily indicate our results to be expected for any future period.

	Year Ended December 31,					Three Months Ended March 31,	
	2008	2009	2010	2011	2012	2012	2013
	(U.S. dollars in thousands, except per share data)						
Selected Consolidated Statements of Operations Data							
Net revenues	$ 6,256	$ 26,051	$ 58,694	$ 116,230	$ 200,010	$ 36,887	$ 73,310
Cost of goods sold	4,872	17,757	41,580	77,465	116,465	22,095	40,047
Gross profit	1,384	8,294	17,114	38,765	83,545	14,792	33,263
Operating expenses*							
Fulfillment	363	1,272	3,517	7,124	10,088	2,038	3,729
Selling and marketing	2,379	5,487	22,607	38,465	53,418	10,786	18,335
General and administrative	1,686	6,361	12,347	16,660	22,369	4,900	7,997
Impairment loss on goodwill and intangible assets				1,928			
(Loss) income from operations	(3,044)	(4,826)	(21,357)	(25,412)	(2,330)	(2,932)	3,202
Net (loss) income	(3,044)	(4,821)	(21,923)	(24,531)	(4,230)	(2,979)	2,610
Accretion for Series C convertible redeemable preferred shares			700	2,800	2,971	700	938
Net (loss) income attributable to ordinary shareholders	(3,044)	(4,821)	(22,623)	(27,331)	(7,201)	(3,679)	1,672
Net (loss) income per ordinary share:							
Basic	(0.50)	(0.13)	(0.62)	(0.76)	(0.20)	(0.10)	0.02
Diluted	(0.50)	(0.13)	(0.62)	(0.76)	(0.20)	(0.10)	0.02

* Includes share-based compensation expenses as follows:

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	2008	2009	2010	2011	2012	2012	2013
	Year Ended December 31,					Three Months Ended March 31,	
	(U.S. dollars in thousands)						
Share-Based Compensation Data							
Fulfillment	$	$ 12	$ 12	$ 13	$ 10	$ 3	$ 2
Selling and marketing	3	92	31	90	117	33	25
General and administrative	374	1,411	1,418	1,990	2,568	726	392
Total share-based compensation expenses	377	1,515	1,461	2,093	2,695	762	419

	2008	2009	2010	2011	2012	2012	2013
	Year Ended December 31,					Three Months Ended March 31,	
Other Consolidated Financial Data							
Gross margin(1)	22.1%	31.8%	29.2%	33.4%	41.8%	40.1%	45.4%

(1) Gross margin represents gross profit as a percentage of net revenues.

	2008	2009	2010	2011	2012	As of March 31, 2013
	As of December 31,					
	(U.S. dollars in thousands)					
Summary Consolidated Balance Sheet Data						
Cash and cash equivalents	$ 2,798	$ 6,081	$ 23,439	$ 6,786	$ 19,972	$ 25,949
Inventories	535	757	4,931	4,965	5,753	4,894
Total current assets	3,717	13,951	34,032	17,671	37,753	41,721
Total assets	4,137	14,567	37,184	19,640	39,838	44,171
Total current liabilities	1,827	4,209	11,979	17,202	36,847	38,158
Total liabilities	1,827	4,209	12,251	17,202	36,847	38,158
Series C convertible redeemable preferred shares			35,700	38,500	41,471	42,409
Total equity (deficit)	2,395	10,358	(10,767)	(36,062)	(38,480)	(36,396)

	2008	2009	2010	2011	2012	2012	2013
	Year Ended December 31,					Three Months Ended March 31,	
	(in thousands, unless otherwise stated)						
Operating Data							
Number of customers	36	166	461	948	2,479	395	1,128
Revenue attributed to repeat customers	n/a(1)	4,008	8,751	20,886	49,384	8,236	21,679
Revenue attributed to new customers	n/a(1)	22,043	49,943	95,344	150,626	28,651	51,631
Growth in revenue attributed to repeat customers(2) (percentage)	n/a(1)	n/a(1)	118.3	138.7	136.4	20.3	18.6

(1)

As we had only begun to operate our business towards the end of 2007, we did not track revenue contributed by repeat customers in 2008. As a result, no data for growth in revenue attributed to repeat customers was available in 2008 and 2009.

(2) "Growth in revenue attributed to repeat customers" refers to, in percentage, the difference between (i) revenue attributed to repeat customers for a given period and (ii) revenue attributed to repeat customers for the prior period, divided by revenue attributed to repeat customers from such prior period.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the sections entitled "Summary Consolidated Financial Data" and "Selected Consolidated Financial Data" and our audited consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

LightInTheBox is a global online retail company that delivers products directly to consumers around the world. We offer customers a convenient way to shop for a wide selection of lifestyle products at attractive prices through *www.lightinthebox.com*, *www.miniinthebox.com* and our other websites, which are available in 17 major languages and cover more than 80.0% of Internet users globally, according to Internet World Stats. Our innovative data-driven business model allows us to offer customized products at scale for optimal marketing, merchandising and fulfillment. We have built an effective business model whereby we source most of our products directly from China-based manufacturers and we work closely with them to re-engineer their manufacturing processes to achieve faster time-to-market with a greater variety of products. We acquire customers exclusively through the Internet and serve our customers from our cost-effective locations in mainland China and Hong Kong. In 2012, we ranked number one in terms of revenue generated from customers outside of China among all China-based retail websites that source products from third-party manufacturers, according to a report conducted at our request by iResearch, an independent market research firm.

Since the launch of *www.lightinthebox.com* in 2007, we have focused on offering lifestyle product categories where consumers value increased choice or customization, such as apparel. In 2012, the sale of products from this core product category accounted for 40.2% of our net revenues. In addition, we also offered a wide range of other products in our other core categories of small accessories and gadgets and home and garden, which, along with apparel, are categories that have experienced the fastest net revenue growth in terms of absolute amount in 2012. The products of our core categories generally require design specificity, thus giving us more pricing flexibility and allowing us to capture higher margin potentials. We also offer products in other categories such as electronics and communication devices and sports and outdoor. We will continue to focus on expanding our product selections and categories.

We have developed a large global customer base since we launched our first website. The number of our customers increased from approximately 0.5 million in 2010 to approximately 2.5 million in 2012. The number of our customers was approximately 1.1 million in the three months ended March 31, 2013.

We operate our business from mainland China and Hong Kong but have delivered our products to consumers in over 200 countries and territories. In 2012, we derived 50.7% and 24.0% of our net revenues from Europe and North America, respectively. In the three months ended March 31, 2013, we derived 64.7% and 19.8% of our net revenues from these same regions, respectively.

We established our first warehouse in 2008 in Shenzhen, Guangdong Province. In 2009 and 2013, we established two additional warehouses in Suzhou, Jiangsu Province, and Shenzhen, Guangdong Province, respectively. We have also established six sourcing offices in China located near our suppliers.

Our total net revenues grew from $58.7 million in 2010 to $200.0 million in 2012. Our net revenues were $73.3 million in the three months ended March 31, 2013. We experienced a net loss of

$21.9 million, $24.5 million and $4.2 million in 2010, 2011 and 2012, respectively. We generated net income of $2.6 million for the three months ended March 31, 2013. We also used cash in operating activities of $19.9 million and $14.1 million in 2010 and 2011, respectively. We generated $7.4 million and $6.6 million in cash from operating activities in 2012 and the three months ended March 31, 2013, respectively.

In 2013, we will continue to invest for long-term growth. We expect to continue to expand our product selection and supplier network; broaden the geographical reach of our websites by introducing new languages and enhancing our marketing efforts and promote repeat purchases by existing customers. We expect to enhance our physical infrastructure, especially our warehousing systems, including establishing warehouses in strategic locations. Furthermore, we will continue to invest in upgrading our technology and network infrastructure to handle increased traffic and improve our consumer shopping experience. We will also invest in promoting our recently launched product brands and launching additional brands.

Factors Affecting Our Results of Operations

Our business and results of operations are affected by general factors affecting online retail markets around the world. Such factors include:

- the growth of the global economy and of our targeted geographic markets;
- per capita disposable income and consumer spending;
- growth of global Internet penetration and online retail;
- government policies and initiatives in our targeted geographic markets that affect online retail and, in particular, the import of products into their respective countries or regions; and
- overall global consumer perception of consumer goods exported from China.

Unfavorable changes in any of these general industry conditions could materially and adversely affect demand for our products and our results of operations. In addition, our operating results are affected by the following company-specific factors:

- our ability to acquire new customers and increase repeat purchases by customers at reasonable cost;
- our ability to control product sourcing costs, fulfillment and other operating expenses;
- our product selection and pricing;
- our ability to introduce new product offerings and categories;
- our ability to expand into new geographic markets;
- our ability to enhance our brand; and
- our ability to compete effectively.

Net Revenues

We generate revenues from the sale of products through our websites and other supplemental online outlets. Net revenues from the sale of products are recorded less business tax, discounts and allowances.

In 2010, 2011 and 2012, we generated net revenues of $58.7 million, $116.2 million and $200.0 million, respectively. In the three months ended March 31, 2012 and 2013, we generated net revenues of $36.9 million and $73.3 million, respectively. The following table sets forth information of

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our net revenues derived from certain product categories in absolute amounts and as percentages of net revenues for the periods presented.

	Year Ended December 31,						Three Months Ended March 31,			
	2010		2011		2012		2012		2013	
	(U.S. dollars in thousands, except percentages)									
		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues
Apparel	$ 19,719	33.6	$ 46,888	40.4	$ 80,274	40.2	$ 15,796	42.8	$ 22,547	30.7
Electronics and communication devices	26,031	44.4	36,844	31.7	42,079	21.0	4,452	12.1	10,303	14.1
Small accessories and gadgets(1)	1,521	2.6	11,770	10.1	40,695	20.3	8,427	22.8	28,660	39.1
Home and garden	4,077	6.9	13,509	11.6	22,454	11.2	6,051	16.4	7,707	10.5
Others(2)	7,346	12.5	7,219	6.2	14,508	7.3	2,161	5.9	4,093	5.6
Total net revenues	58,694	100.0	116,230	100.0	200,010	100.0	36,887	100.0	73,310	100.0

(1) Includes products such as video game accessories, tablet computer and computer gadgets, electronics gadgets, car accessories, cell phone accessories, flashlights, lights, home and office gadgets, batteries, gifts and party supplies, toys and travel kits.

(2) Includes beauty, sports and outdoor and other categories of products.

Since our inception, we have primarily focused on selling apparel and electronics and communications devices. We expect to continue to focus on the growth in sales of apparel and expect that sales of apparel will continue to contribute significantly to our total net revenues in the near future. However, we have also expanded offerings for other product categories and in particularly have increased our focus on small accessories and gadgets and home and garden. These two core categories, along with apparel, have experienced the fastest net revenue growth in terms of absolute amount in 2012. We expect our revenues to become more diversified in the future as we grow our business and increase our number of product categories.

We face seasonality for the sale of our products. For example, during the first quarter of the past several years, we experienced greater demand for our wedding dresses and, during the fourth quarter of the past several years, we experienced a general increase in the demand for our products as a result of holiday shopping.

Our products are sold to consumers in over 200 countries and territories. The following table breaks down our net revenues by geographic regions as determined by shipping addresses in absolute amounts and as percentages of net revenues for the periods presented.

	Year Ended December 31,						Three Months Ended March 31,			
	2010		2011		2012		2012		2013	
	(U.S. dollar in thousands, except percentages)									
		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues
Europe	$ 29,892	50.9	$ 57,853	49.8	$ 101,424	50.7	$ 18,889	51.2	$ 47,461	64.7
North America	20,509	35.0	32,721	28.2	47,985	24.0	10,348	28.1	14,493	19.8
South America	974	1.7	4,097	3.5	12,876	6.4	1,662	4.5	5,117	7.0
Other countries	7,319	12.4	21,559	18.5	37,725	18.9	5,988	16.2	6,239	8.5
Total net revenues	58,694	100.0	116,230	100.0	200,010	100.0	36,887	100.0	73,310	100.0

We first launched our websites in English and our online marketing efforts were initially focused in North America. As we started to introduce additional languages, such as French, Spanish, German and Italian, to our websites in 2009 and increased our online marketing efforts in other countries, our

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revenue source became more geographically diversified. We have recently launched our websites in Swedish, Korean, Hebrew and Finnish.

We have also started to establish a steady presence in China. In May 2010, our VIE, Lanting Huitong, acquired Shanghai Ouku, which operates *www.ouku.com*, a website focused on the sale of electronics and communications devices and other products in China.

We expect our net revenues to grow in the future as we continue to introduce new products and deepen our penetration of various geographic markets around the world. We also expect to expand our customer base and increase sales to each customer to drive our growth.

Operating Metrics

We regularly review a number of operating metrics, including the following, to evaluate our performance, identify trends affecting our business, formulate financial projections and make certain strategic decisions: (i) the number of customers, (ii) revenue attributed to repeat customers, (iii) revenue attributed to new customers and (iv) the growth in revenue attributed to repeat customers. The following table sets forth the above metrics for the periods indicated.

	Year Ended December 31,			Three Months Ended March 31,	
	2010	2011	2012	2012	2013
	(in thousands, unless otherwise stated)				
Number of customers	461	948	2,479	395	1,128
Revenue attributed to repeat customers	8,751	20,886	49,384	8,236	21,679
Revenue attributed to new customers	49,943	95,344	150,626	28,651	51,631
Growth in revenue attributed to repeat customers[1] (percentage)	118.3	138.7	136.4	20.3	18.6

(1) "Growth in revenue attributed to repeat customers" refers to, in percentage, the difference between (i) revenue attributed to repeat customers for a given period and (ii) revenue attributed to repeat customers for the prior period, divided by revenue attributed to repeat customers from such prior period.

The number of repeat and new customers we sold products to has increased substantially in the last few years, which, in turn, increased our net revenues. By serving a larger number of repeat and new customers, we also deepened our understanding of online purchasing and browsing, developing insights into product presentations, promotions and other features based on our customer and order histories and statistics.

Our revenue attributed to repeat customers has also similarly increased during the past few years. As we have continued to increase our product offerings, we have experienced increase in repeat purchases by our customers. In addition, we have also increased our focus in capitalizing our existing customer base by focusing our remarketing efforts for such customers.

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Cost of Goods Sold and Operating Expenses

The following table sets forth our cost of goods sold and operating expenses, both in absolute amounts and as percentages of net revenues for the periods indicated.

	Year Ended December 31,						Three Months Ended March 31,			
	2010		2011		2012		2012		2013	
	(U.S. dollars in thousands, except percentages)									
		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues
Cost of goods sold	$ 41,580	70.8	$ 77,465	66.6	$ 116,465	58.2	$ 22,095	59.9	$ 40,047	54.6
Operating expenses:										
Fulfillment	3,517	6.0	7,124	6.1	10,088	5.1	2,038	5.5	3,729	5.1
Selling and marketing	22,607	38.5	38,465	33.1	53,418	26.7	10,786	29.2	18,335	25.0
General and administrative	12,347	21.0	16,660	14.3	22,369	11.2	4,900	13.3	7,997	10.9
Impairment loss on goodwill and intangible assets			1,928	1.7						
Total operating expenses	38,471	65.5	64,177	55.2	85,875	43.0	17,724	48.1	30,061	41.0

Cost of Goods Sold

Our cost of goods sold consists primarily of cost of consumer products sold by us and shipping charges, and to a much lesser degree, packaging supplies and inventory write-downs. We write down the cost of slow-moving and broken inventory to the estimated market value based on historical trends for such inventory, inventory aging and historical and forecasted consumer demand and such write-down is recorded as part of cost of goods sold. Shipping charges to receive products from our suppliers are included as inventory and recognized as cost of goods sold upon the sale of such products. Our cost of goods sold as percentage of our net revenues during a specific period is affected by the composition of the type of products sold during that period.

Operating Expenses

Fulfillment Expenses. Fulfillment expenses include costs incurred in operating and staffing our warehouses and customer service centers, including (i) costs attributable to buying, receiving, inspecting and warehousing inventories, (ii) picking, packaging, and preparing customer orders for shipment and (iii) payment processing and related transaction costs. Our fulfillment expenses are primarily affected by the cost of personnel at our warehouses and our ability to strengthen our logistic management capabilities and increase our economies of scale as our volume of products shipped increases.

Selling and Marketing Expenses. Selling and marketing expenses include marketing program expenses and marketing personnel expenses. Marketing program expenses are comprised of targeted online marketing expenses, such as search engine marketing, display advertising and affiliate marketing program expenses. Marketing personnel expenses are comprised of payroll and related expenses for personnel engaged in selling, marketing and business development, including the execution of search

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engine optimization and social viral marketing activities. The table below breaks down our selling and marketing expenses in absolute amounts and as percentages of net revenues for the periods indicated.

	Year Ended December 31,						Three Months Ended March 31,			
	2010		2011		2012		2012		2013	
	(U.S. dollars in thousands, except percentages)									
		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues
Selling and marketing expenses:										
Marketing program expenses	$ 18,747	31.9	$ 28,611	24.6	$ 43,955	22.0	$ 8,460	22.9	$ 15,751	21.5
Marketing personnel expenses	3,860	6.6	9,854	8.5	9,463	4.7	2,326	6.3	2,584	3.5
Total selling and marketing expenses	22,607	38.5	38,465	33.1	53,418	26.7	10,786	29.2	18,335	25.0

The fluctuation of selling and marketing expenses as a percentage of our net revenues relates to our business expansion into and the testing of new geographic markets, product categories, marketing channels and promotional activities. In the near term, we expect to focus our selling and marketing efforts on growing our customer base, but we expect our selling and marketing expenses as a percentage of our net revenues to continue to decrease in the long term as we achieve economies of scale and utilize our selling and marketing channels more efficiently.

General and Administrative Expenses. General and administrative expenses include payroll-related expenses and travel-related expenses for personnel engaged in accounting, finance, tax, legal, human resources and other general corporate functions, as well as costs related to the use of facilities and equipment by these personnel, such as depreciation expenses and rent, professional fees and other general corporate costs. General and administrative expenses also include technology development and related expenses, including payroll-related expenses. In addition, general and administrative expenses include credit losses relating to fraudulent credit card activities which resulted in chargebacks from payment processing agencies. We expect our general and administrative expenses as a percentage of our net revenues to decrease in the future as we achieve economies of scale.

Impairment Loss on Goodwill and Intangible Assets. Our goodwill and intangible assets including trademark, technology platform and customer base arose from the acquisition of Shanghai Ouku. Shanghai Ouku has incurred losses and failed to meet the forecast set by management. As of December 31, 2011, we performed an assessment of goodwill impairment and compared the fair value of Shanghai Ouku to its carrying value. Based on the assessment, we determined the excess in the carrying value of goodwill over the implied fair value of goodwill and recognized an impairment loss of $0.9 million for the year ended December 31, 2011. We also performed an assessment of impairment for indefinite-lived intangible assets by comparing the fair value with their carrying value. Based on the assessment, we determined the excess in the carrying value of indefinite-lived intangible assets over their fair value and recognized an impairment loss of $1.0 million for the year ended December 31, 2011. In addition, we evaluated the recoverability of its intangible assets with definite life and recognized an impairment loss of $12,000 for the year ended December 31, 2011. See " Critical Accounting Policies Impairment of Goodwill and Intangible Assets." We did not recognize any impairment loss on goodwill and intangible assets in 2010 and 2012.

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Share-based Compensation Expenses

The table below shows the effect of the share-based compensation expenses on our operating expense line items for the periods indicated.

	Year Ended December 31,						Three Months Ended March 31,			
	2010		2011		2012		2012		2013	
	(U.S. dollars in thousands, except percentages)									
		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues
Fulfillment	$ 12		$ 13		$ 10		$ 3		$ 2	
Selling and marketing	31	0.1	90	0.1	117	0.1	33	0.1	25	
General and administrative	1,418	2.4	1,990	1.7	2,568	1.3	726	2.0	392	0.5
Total share-based compensation expenses	1,461	2.5	2,093	1.8	2,695	1.4	762	2.1	419	0.6

We expect to continue to grant share options, restricted shares and other share-based awards under our share incentive plan and incur further share-based compensation expenses in future periods.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax in the Cayman Islands. In addition, our payment of dividends, if any, is not subject to withholding tax in the Cayman Islands.

Hong Kong

Our wholly owned subsidiary in Hong Kong, Light In The Box Limited, is subject to the uniform tax rate of 16.5% in Hong Kong for the year ended December 31, 2011. Under the Hong Kong tax laws, Light In The Box Limited is exempted from the Hong Kong income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

PRC

Our subsidiary and VIE in China are companies incorporated under PRC law and, as such, are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws.

Under the New EIT Law and its implementation rules, both of which became effective on January 1, 2008, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, unless they qualify for certain exceptions.

Lanting Huitong, which was qualified as a "software enterprise" in 2010, is entitled to enjoy a two-year income tax exemption starting from the first year of profitability after 2010, followed by a reduced tax rate of 12.5% for the subsequent three years. During the year of 2010, Lanting Huitong paid $0.6 million to tax authority based on its preliminary management accounts. We did not expect to recover the tax paid or receive a tax benefit in the coming years, therefore, the amount was written off and recorded as income tax expense for the year ended December 31, 2010. Lanting Gaochuang, which was qualified as a "software enterprise" in 2012, is entitled to enjoy a two-year income tax exemption starting from its first year of profitability, followed by a reduced tax rate of 12.5% for the subsequent three years.

Under the New EIT Law and its implementation rules, dividends from our PRC subsidiary paid out of profits generated after January 1, 2008, are subject to a withholding tax of 20%, although under the detailed implementation rules to the New EIT Law promulgated by the PRC State Council, the withholding tax rate is 10%, unless there is a tax treaty with China that provides for a different withholding arrangement. Distributions of profits generated before January 1, 2008 are exempt from PRC withholding tax.

Under the New EIT Law, an enterprise established outside of the PRC with "de facto management bodies" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." The SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in China. Further to Circular 82, on July 27, 2011, the SAT issued Bulletin No. 45 to provide more guidance on the implementation of Circular 82, which took effect on September 1, 2011. Bulletin No. 45 provides clarification on the resident status determination, post-determination administration, and competent tax authorities. It also specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese-controlled offshore-incorporated enterprise, the payer should not withhold 10% income tax when paying certain Chinese-sourced income, such as dividends, interest and royalties to the Chinese-controlled offshore-incorporated enterprise. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals. Although we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises, it is possible that the PRC tax authorities could reach a different conclusion. See "Risk Factors Risks Related to Doing Business in China We may be deemed a PRC resident enterprise under the New EIT Law and be subject to PRC taxation on our income."

Internal Control Over Financial Reporting

Prior to this offering, we have been a private company with limited accounting personnel and other resources to address our internal control over financial reporting. In connection with the preparation and external audit of our consolidated financial statements, we and our independent registered public accounting firm identified a material weakness and other control deficiencies, each as defined in AU325, in our internal control over financial reporting as of December 31, 2012. As defined in AU325, 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 the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified related to our lack of sufficient accounting personnel for financial information processing and reporting and with appropriate U.S. GAAP knowledge. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control for purposes of identifying and reporting material weaknesses and other control deficiencies in our internal control over financial reporting as we and they will be required to do once we become a public company. In light of the material weakness and other control deficiencies that were identified as a result of the limited procedures performed, we believe it is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public

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accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

To address the material weakness and control deficiencies identified, we are planning to take a number of measures, including (i) hiring additional accounting personnel with experience in U.S. GAAP and SEC reporting requirements; (ii) providing regular training on an ongoing basis to our accounting personnel that cover a broad range of accounting and financial reporting topics; and (iii) developing and applying a comprehensive manual with detailed guidance on accounting policies and procedures as well as procedures for maintenance and retention of accounting and financial records. However, the implementation of these measures may not fully address the material weakness and other control deficiencies in our internal control over financial reporting. We are not able to estimate with reasonable certainty the costs that we will need to incur to implement these and other measures designed to improve our internal control over financial reporting. See "Risk Factors Risks Related to Our Business and Industry In the course of preparing our consolidated financial statements, we have identified a material weakness and other control deficiencies in our internal control over financial reporting, which as of the date of this prospectus, have not been remediated. If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud and investor confidence in our company and the market price of the ADSs may be adversely affected."

Critical Accounting Policies

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

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, could materially impact the consolidated financial statements. We believe that the following accounting policies involve a higher degree of judgment and complexity 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 consolidated financial statements and other disclosures included in this prospectus.

Revenue Recognition

We make sales through our websites and supplemental online outlets and we recognize revenues from product sales when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, products are delivered and received by the customer, the price to the buyer is fixed or determinable and collectability is reasonably assured.

Most of our customers are required to make online payments using their credit cards, debit cards or through third party payment platforms, such as PayPal and Western Union, when they place purchase orders on our websites. We record the payments as advances from customers on the balance sheet when received. We then utilize delivery service providers, primarily express courier companies, to deliver our products to our customers. Shipping and handling charges to the customers are included in revenues, and our corresponding shipping costs are included in cost of goods sold. We recognize the amounts advanced from customers as revenues at the time the end customers receive the products, which is typically within a few days of shipment.

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Customers in China can also choose to pay upon the receipt of our products, which is called the cash on delivery, or COD, model. In the COD model, our delivery service providers collect the payments from our customers for us. We record an accounts receivable on the balance sheet when our customers receive their products from our delivery service providers.

We allow customers to return certain goods within a period of time subsequent to the delivery of the goods. The return period varies depending on the product category and reasons for the return, which normally ranges from seven to 30 days. We estimate return allowances based on product categories and historical experience. The estimation of return allowances is adjusted to the extent that actual returns differ, or are expected to differ. Changes in estimated return allowances are recognized through a cumulative catch-up adjustment in the period of change and will impact the amount of net revenues in that period. As of December 31, 2012, we estimated that approximately 0.7% of our sales in December 2012 would be returned and made provisions accordingly. As of March 31, 2013, we estimated that approximately 1.0% of our sales in March 2013 would be returned and made provisions accordingly.

We voluntarily provide discount coupons as sales incentives to potential customers from time to time. These coupons can only be utilized in conjunction with a subsequent purchase and are recorded as a reduction of revenues at the time of use.

Promotional items or free products, which cannot be redeemed for cash and always shipped together with current qualified sales, are considered separate deliverables of the current qualified sales and the cost of these promotional items or free products are recorded as cost of sales when the revenue of the current qualified sales is recognized.

We have established a membership program for certain of our website whereby a registered member earns certain points for visiting *www.ouku.com*. Points can only be redeemed in connection with a future purchase based on a defined ratio of 100 points to RMB1.00. Such points are charged as costs of sales at the later of when the incentive is offered and when the related revenue is recognized. Since the points earned are not based on past sales transactions, no accrual is made at the time when earned by the registered members.

As of December 31, 2012 and March 31, 2013, had all of our customers redeemed all of the points earned, the redemption values would have been approximately $124,000 and $123,000, respectively.

Certain of our employees register with supplemental online outlets under their own name, as these websites require registration using the identity cards of individuals to sell our products on our behalf. We have contractual arrangements with these employees that require them to transfer payments received for the sale of the products to us. We evaluate the sales transactions performed by certain employees on our behalf to determine whether to recognize the revenues on a gross or net basis. The determination is based upon an assessment as to whether we act as a principal or agent when selling the products. All revenues involving employees performing sales transactions on the supplemental online outlets on our behalf are currently accounted for on a gross basis since we are the primary obligor and have general and physical inventory risk, latitude in establishing prices, discretion in supplier selection and the credit risks.

In the fourth quarter of 2011, we entered into arrangements with certain suppliers, under which the suppliers store their products at our premises. We record these products as inventory when all liabilities and rights of ownership of the products are passed on to us upon the confirmation of orders by our customers. All of the revenues involving these arrangements are accounted for on a gross basis since we are the primary obligor, have physical inventory risk, retain latitude in establishing prices, exercise discretion in supplier selection and are exposed to credit risks.

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Chargebacks

We estimate chargebacks, which are charges from payment processing agencies relating to fraudulent credit card activities or customer disputes, based on historical experience. The estimation of chargebacks is adjusted to the extent that actual chargebacks differ, or are expected to differ. Changes in estimated chargebacks are recognized through a cumulative catch-up adjustment in the period of change and will impact the amount of general and administrative expenses in that period. For the years ended December 31, 2010, 2011 and 2012 and the three months ended March 31, 2013, chargebacks expenses as a percentage of net revenue were 0.5%, 0.4%, 0.3% and 0.4%, respectively.

Inventories

Inventories, consisting of products available for sale, are primarily accounted for using the first-in first-out method and are valued at the lower of cost or market value. We maintain low levels of inventories by adopting a frequent procurement strategy with short refill cycles from suppliers. Therefore, our obsolete inventory has been insignificant. In estimating the level of inventory provision, we consider the nature of each category of our inventory, inventory aging, and historical and forecasted consumer demand. This valuation also requires us to make judgments, based on currently-available information, about the likely method of disposition, such as through sales to individual customers, returns to product vendors, or liquidations, and expected recoverable values of each disposition category. These assumptions about future disposition of inventory are inherently uncertain.

Impairment of Goodwill and Intangible Assets

Goodwill represents the cost of an acquired business in excess of the fair value of identifiable tangible and intangible net assets purchased. We generally seek the assistance of an independent valuation firm in determining the fair value of the identifiable intangible net assets of the acquired business. There are several methods that can be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, we typically use the income method. This method starts with a forecast of all of the expected future net cash flows associated with a particular intangible asset. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows and the assessment of the asset's economic life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory or economic barriers to entry. Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives.

Goodwill is tested for impairment at least once annually. Impairment is tested using a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill.

We had only one reporting unit, Shanghai Ouku, which recorded goodwill as of December 31, 2010. It operates and manages *www.ouku.com* and other websites targeting consumers in China, and prepares its financial information independently. We performed our annual goodwill impairment test on December 31, 2011.

In the goodwill impairment test, we applied the income approach, which we believed to be more reliable than the market approach in determining the fair value of the reporting unit. Accordingly, we adopted the discounted cash flow, or DCF, method under the income approach, which considers a number of factors that include expected future cash flows, growth rates, discount rates, and comparable multiples from publicly traded companies in our industry and requires us to make certain assumptions and estimates regarding industry economic factors and the future profitability of our business. The assumptions are inherently uncertain and subjective.

When applying the DCF method for the reporting unit, we incorporated the use of projected financial information and a discount rate developed by using market participant based assumptions. The cash flow projections were based on five-year financial forecasts developed by management that included revenue projections based on a compound annual growth rate of 12%, capital spending trends and investments in working capital to support anticipated revenue growth. The discount rate selected was 21.0%, which accounts for considerations regarding the risk and nature of the reporting unit's cash flows and the rates of return that market participants would require to invest their capital in the reporting unit.

Based on that assessment, the goodwill of Shanghai Ouku was fully impaired by $0.9 million for the year ended December 31, 2011.

Intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment at least annually if events or changes in circumstances indicate that the asset might be impaired. Such impairment test consists of the fair values of assets with their carrying value amounts and an impairment loss is recognized if and when the carrying amounts exceed the fair values. The estimates of fair values of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. Significant assumptions are inherent in this process, including estimates of discount rates. Discount rate assumptions are based on an assessment of the risk inherent in the respective intangible assets. Intangible assets with determinable useful lives are amortized on a straight-line basis.

We performed our annual impairment test of our indefinite-lived intangible assets, mainly the trademarks held by Shanghai Ouku, on December 31, 2011.

We compared the fair value of our indefinite-lived intangible assets with their carrying values. The fair value of our indefinite-lived intangible assets is determined based on the relief-from-royalty-method at royalty rates of similar companies. Based on the assessment, we determined there was an excess in the carrying value of our indefinite-lived intangible assets over their fair value and recognized an impairment loss of $1.0 million for the year ended December 31, 2011.

We evaluate intangible assets with determinable useful life for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets.

Technology, non-compete agreements and a customer base with amortization lives of 1 year, 2 years and 4.3 years, respectively, were obtained through the acquisition of Shanghai Ouku.

Since Shanghai Ouku incurred losses and did not meet the forecast set in 2011, we performed the impairment test on intangible assets as of December 31, 2011, and concluded that the balances of these

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intangible assets should be fully impaired. As a result, we recorded an impairment loss related to these intangible assets totaling $1.0 million.

Estimates of fair value result from a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions at a point in time. The judgments made in determining an estimate of fair value can materially impact our results of operations. The valuations are based on information available as of the impairment review date and are based on expectations and assumptions that have been deemed reasonable by management. Any changes in key assumptions, including unanticipated events and circumstances, may affect the accuracy or validity of such estimates and could potentially result in an impairment charge.

In 2012, there were no activities that resulted in the recognition of goodwill or intangible assets.

Fair Value of Ordinary Shares

We are a private company with no quoted market prices for our ordinary shares. We have therefore needed to make estimates of the fair value of our ordinary shares at various dates for the purpose of: (i) determining the fair value of our ordinary shares at the date of the grant of a share-based compensation award to our employees as one of the inputs in determining the grant date fair value of the award, and (ii) determining the fair value of our ordinary shares at the date of issuance of our convertible instruments in the determination of any beneficial conversion feature.

The fair value of the ordinary shares, convertible instruments and options granted to our employees were estimated by us, with assistance from American Appraisal China Limited, an independent third-party appraiser. We are ultimately responsible for the determination of all amounts related to share-based compensation and the convertible instruments recorded in the financial statements.

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The following table sets forth the fair value of our ordinary shares estimated at different dates in 2008, 2009, 2010, 2011 and 2012:

Date	Class of Shares	Fair Value[(1)]	Purpose of Valuation	Discounts for Lack of Marketability	Discount Rate
October 27, 2008	Ordinary Shares	$ 0.27	Share option and nonvested share grant and to determine potential beneficial conversion feature in connection with the issuance of Series A convertible preferred shares	33%	34.0%
December 31, 2008	Ordinary Shares	$ 0.35	Share option and nonvested share grant	33%	30.0%
March 31, 2009	Ordinary Shares	$ 0.38	Share option grant	33%	29.5%
June 26, 2009	Ordinary Shares	$ 0.56	Share option grant and to determine potential beneficial conversion feature in connection with the issuance of Series B convertible preferred shares	33%	29.0%
September 30, 2009	Ordinary Shares	$ 0.68	Share option grant	33%	27.0%
December 31, 2009	Ordinary Shares	$ 1.15	Share option grant	33%	26.5%
March 31, 2010	Ordinary Shares	$ 1.34	Share option grant	32%	25.0%
June 30, 2010	Ordinary Shares	$ 1.92	Share option grant	21%	25.0%
October 20, 2010	Ordinary Shares	$ 2.82	Share option grant and to determine potential beneficial conversion feature in connection with the issuance of Series C convertible redeemable preferred shares	18%	21.0%
December 31, 2010	Ordinary Shares	$ 3.14	Share option grant	17%	20.0%
March 31, 2011	Ordinary Shares	$ 4.02	Grant of nonvested shares	12%	18.0%
July 31, 2011	Ordinary Shares	$ 4.03	Share option grant	12%	18.0%
October 1, 2011	Ordinary Shares	$ 4.03	Share option and nonvested shares grant	12%	18.0%
March 23, 2012	Ordinary Shares	$ 3.89	To determine beneficial conversion feature in connection with the issuance of	8%	18.0%

convertible notes

(1) In June 2009, our board of directors and shareholders approved the split of each of the previously issued ordinary shares, share options, nonvested shares, Series A convertible preferred shares and Series B convertible preferred shares, into 1.5 ordinary shares, share options, nonvested shares, Series A convertible preferred shares and Series B convertible preferred shares, respectively. All share and per share information presented in this prospectus and our consolidated financial statements have been revised on a retroactive basis to reflect the share split as if the new share structure had been in place throughout the periods presented.

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In determining the fair value of our ordinary shares, we have considered the guidelines prescribed by the AICPA Audit and Accounting Practice Aid, Valuation of Privately-Held Company Equity Securities Issued and Compensation, or the Practice Aid. Specifically, paragraph 16 of the Practice Aid sets forth the preferred types of valuation that should be used.

Our independent third-party appraiser used the DCF method of the income approach to derive the fair value of our ordinary shares in 2008, 2009, 2010, 2011 and 2012. We considered the market approach and searched for public companies located in China with business nature and in a development stage similar to ours. However, no companies were similar to us in all aspects and we therefore only used the results obtained from the market approach to assess the reasonableness of the results obtained from the income approach. The determination of the fair value of our ordinary shares required complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

The major assumptions used in calculating the fair value of ordinary shares include:

Weighted average cost of capital, or WACC: The WACCs were determined based on a consideration of such factors as risk-free rate, comparative industry risk, equity risk premium, company size and company-specific factors. The changes in WACC from 34.0% as of October 27, 2008 to 18.0% as of March 23, 2012 were primarily due to our business growth and additional funding from the series of preferred shares for accelerating development.
In deriving the WACCs, which are used as the discount rates under the income approach, certain publicly traded companies using e-commerce platforms were selected for reference as our guideline companies. To reflect the operating environment in China and the general sentiment in the U.S. capital markets towards the e-commerce industry, the guideline companies were selected with consideration of the following factors: (i) the guideline companies should provide similar services; and (ii) the guideline companies should either have their principal operations in China, as we operate in China, and/or are publicly listed companies in developed stock exchanges, including in the United States and London.

Discount for lack of marketability, or DLOM: When determining the DLOM, the option-pricing method (put option) was applied to quantify the DLOM where applicable. Although it is reasonable to expect that the completion of this offering will add value to our shares because we will have increased liquidity and marketability as a result of this offering, the amount of additional value can be measured with neither precision nor certainty. The DLOMs were estimated to be 33% as of each valuation date before December 2009 and decreased to 8% as of March 23, 2012. The lower DLOM is used for the valuation, the higher is the determined fair value of the ordinary shares.
The decrease in DLOM is due to (i) as financial market gradually recovered from financial crisis in 2010, the volatility factor of comparable companies' share price, which is one of the factor considered in quantifying the DLOM, decreased accordingly. The lower the volatility factor used in quantification of DLOM, the lower is the DLOM; (ii) the decrease in estimated leading time to a liquidity event as our company progressed through earlier stages of development towards this offering. The shorter the estimated leading time to a liquidity event, the lower the DLOM.

The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts developed by us. Our revenue and earnings growth rates contributed significantly to the increase in the fair value of our ordinary shares from 2008 to 2012. The assumptions used in deriving the fair values were consistent with our business plan. However, these assumptions were inherently uncertain and highly subjective.

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These assumptions include: (i) no material changes in the existing political, legal and economic conditions in China, (ii) no major changes in the tax rates applicable to our subsidiaries and consolidated VIE and its subsidiary in China, (iii) our ability to retain competent management, key personnel and staff to support our ongoing operations and (iv) no material deviation in market conditions from economic forecasts. The risk associated with achieving our forecasts were assessed in selecting the appropriate discount rates as discussed above.

We used the option-pricing method to allocate equity value of our company to preferred and ordinary shares, taking into account the guidance prescribed by the Practice Aid. This method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of our company or an initial public offering and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board and management. Estimating the volatility of the share price of a privately held company is complex because there is no readily available market for the shares. We estimated the volatility of our shares based on historical volatility of comparable companies' shares. Had we used different estimates of volatility, the allocations between preferred and ordinary shares would have been different.

The determined fair value of our ordinary shares increased from $0.27 per share as of October 27, 2008 to $0.38 per share as of March 31, 2009. We believe the increase in the fair values of ordinary shares during this period is primarily attributable to the organic growth of our business.

The determined fair value of our ordinary shares increased from $0.38 per share as of March 31, 2009 to $0.56 as of June 30, 2009 and $0.68 as of September 30, 2009. We believe the increase in the fair values of ordinary shares during this period is primarily because:

- We successfully raised $11.2 million through issuance of Series B convertible preferred shares. This new round of financing provided us with additional financial resources to expand our services to new markets. For instance, we successfully launched the Spanish version of our website in August 2009. Therefore, we increased the long term revenue growth rate in our financial forecast.

- The new round of Series C financing also indicated investors' confidence in our business model.

- In view of the above, we lowered the discount rate, which represents market participants' perceived risks and required rate of return for investing in our securities, from 29.5% as of March 31, 2009 to 27.0% as of September 30, 2009.

The determined fair value of our ordinary shares increased from $0.68 as of September 30, 2009 to $1.15 as of December 31, 2009 and $1.34 as of March 31, 2010. We believe the increase in the fair values of ordinary shares during this period is primarily because:

- We developed our financial forecast for valuations as of December 31, 2009 and March 31, 2010 based on our actual results in 2009. Our operating and financial performance in 2009 demonstrated that there was a continuous increase in the demand for our services. For instance, in the fourth quarter of 2009, the average monthly number of customer orders reached 24,817, which represented a growth rate of 174% compared to the same quarter in 2008. In anticipation of a gradual recovery of the U.S. and European economy, our management team predicted that the increasing trend of our customer orders and revenues would continue. In addition, we expected that the newly launched Spanish and German versions of our website would further contribute to our revenue growth. Accordingly, when preparing the financial forecast, we increased our revenue forecast upward to reflect our confidence in our future growth rate.

- In view of the above, we lowered the discount rate from 27.0% as of September 30, 2009 to 25.0% as of March 31, 2010.

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The determined fair value of our ordinary shares increased from $1.34 as of March 31, 2010 to $1.92 as of June 30, 2010. We believe the increase in the fair values of ordinary shares during this period is primarily because:

- We successfully launched the Italian version of our website in April 2010, which we believe would provide further growth potential for the sale of our products overseas.

- Our VIE, Lanting Huitong, successfully completed the acquisition of Shanghai Ouku in May 2010. The acquisition enabled us to combine our experience in overseas markets and Shanghai Ouku's expertise in selling products in the PRC market to create synergies for the sale of our products in China. In view of the above, we adjusted our revenue growth rate to reflect the estimated revenue contribution from our China operations.

- The DLOM used for the valuation decreased from 32% as of March 31, 2010 to 21% as of June 30, 2010. The decrease in DLOM was due to a decrease in estimated lead time for a liquidity event and a decrease in the volatility factor of comparable companies' share prices.

The determined fair value of our ordinary shares increased from $1.92 as of June 30, 2010 to $2.82 as of October 20, 2010 and $3.14 as of December 31, 2010. We believe the increase in fair value of ordinary shares during this period is primarily because:

- We successfully launched Portuguese and Japanese versions of our website in November and December 2010, respectively.

- In the second half of 2010, we implemented a new sales and marketing strategy to increase the promotion of our website. In the third and fourth quarter of 2010, the average monthly number of customer orders reached 38,090 and 74,110, respectively, which represented 99% and 199% growth compared to the corresponding quarters in 2009.

- We issued Series C convertible redeemable preferred shares for an aggregate of $35.0 million. This new round of financing further strengthened our financial status and position.

- In general, the global financial market recovered in the second half of 2010 and market sentiment towards China-based publicly-traded companies improved, which resulted in an overall appreciation in the market value of their shares. For instance, the NASDAQ China Index generally increased in the second half of 2010, closing at 166 on June 30, 2010 and 195 on December 31, 2010.

- In view of the above, we lowered the discount rate from 25.0% as of March 31, 2010 to 20.0% as of December 31, 2010, as our business progressed toward later stage of development and financial market sentiment improved.

The determined fair value of our ordinary shares increased from $3.14 as of December 31, 2010 to $4.02 as of March 31, 2011. We believe the increase in fair value of our ordinary shares during this period is primarily because:

- We strengthened our financial reporting and internal controls by recruiting additional key management.

- As the size of our business increased, a component of our estimated WACC, the small size risk premium, decreased from 3.99% as of December 31, 2010 to 2.85% as of March 31, 2011. This resulted in a decrease in discount rate from 20% to 18%.

- In the first quarter of 2011, we started the preparation for our initial public offering. Due to the proximity of the expected time of the offering, the DLOM used for the valuation decreased from 17% as of December 31, 2010 to 12% as of March 31, 2011.

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In view of the above, we lowered the discount rate from 20.0% as of December 31, 2010 to 18.0% as of March 31, 2011.

The determined fair value of our ordinary shares remained stable at $4.02 as of March 31, 2011 and $4.03 as of October 1, 2011, as we considered our business development during this period was relatively stable and in line with our business plan.

The determined fair value of our ordinary shares decreased from $4.03 as of October 1, 2011 to $3.89 as of March 23, 2012. We believe the decrease in fair value of our ordinary shares during this period resulted from the following:

- We changed the expected date of our initial public offering as a result of the volatility and uncertainty of the United States capital market. As we did not raise additional funds through the capital market as planned, certain business plans were postponed and spending was reduced. In light of the above, our financial forecast was adjusted downwards.

- The liquidity of our ordinary shares increased as lead time to the expected initial public offering as of March 2012 reduced compared to that as of October 2011. As such, we lowered the DLOM from 12% as of October 2011 to 8% as of March 2012. The decrease in DLOM partially offset the impact of the decrease in the financial forecast as to the fair value of our ordinary shares.

We believe that the increase in the fair value of our ordinary shares from $3.89 per ordinary share on March 23, 2012 to $4.75 per ordinary share, the initial public offering price, is primarily attributable to the following factors:

- We have continued to expand the growth of our business and have experienced an increase in the number of customers and our product listings. The number of customers increased by 185.6% from March 31, 2012 to March 31, 2013 and our product listings increased by 151.1% during the same period.

- We started to generate net income attributable to our ordinary shareholders in the fourth quarter of 2012 and remained profitable in the first quarter of 2013.

- The proximity of the impending launch of this offering, which will provide us with additional capital and will enhance our ability to access capital markets to expand our business and raise our profile.

Share-based Compensation

Our share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument and recognized as compensation expense over the requisite service period based on the straight-line method, with a corresponding impact reflected in additional paid-in capital.

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The following table sets forth certain information regarding the share options granted to our employees at different dates in 2008, 2009, 2010 and 2011. We did not grant any share options in 2012 or the three months ended March 31, 2013.

Grant Date	Number of Options Granted	Exercise Price per Option	Fair Value per Option at Grant Date	Intrinsic Value per Option at Grant Date	Type of Valuation
December 31, 2008	590,000	$ 0.50	$ 0.15	$	Retrospective
March 31, 2009	107,000	$ 0.50	$ 0.19	$	Retrospective
June 30, 2009	502,000	$ 0.01	$ 0.36	$ 0.36	Retrospective
June 30, 2009	41,000	$ 0.50	$ 0.18	$	Retrospective
June 30, 2009	133,000	$ 0.96	$ 0.14	$	Retrospective
September 30, 2009	187,000	$ 0.96	$ 0.28	$	Retrospective
December 31, 2009	285,000	$ 0.50	$ 0.76	$ 0.64	Retrospective
December 31, 2009	87,000	$ 0.96	$ 0.58	$ 0.18	Retrospective
March 31, 2010	182,000	$ 0.96	$ 0.71	$ 0.37	Retrospective
June 30, 2010	64,000	$ 0.96	$ 1.18	$ 0.96	Retrospective
October 31, 2010	82,000	$ 0.96	$ 2.00	$ 1.86	Retrospective
July 31, 2011	8,000	$ 0.96	$ 3.14	$ 3.07	Retrospective
July 31, 2011	357,000	$ 4.25	$ 1.71	$	Retrospective
October 1, 2011	119,000	$ 4.29	$ 1.76	$	Retrospective

As of March 31, 2013, there were 1,765,250 options outstanding with an aggregate intrinsic value of $6.4 million, based on the initial public offering price.

In determining the value of share options, we have used the binomial option pricing model, with assistance from American Appraisal China Limited. Under this option pricing model, certain assumptions, including the risk-free interest rate, the exercise multiple, the expected dividends on the underlying ordinary shares and the expected volatility of the price of the underlying shares for the period before the valuation dates with lengths equal to the contractual term of the options are required in order to determine the fair value of our options. Changes in these assumptions could significantly affect the fair value of share options and hence the amount of compensation expense we recognize in our consolidated financial statements.

The fair value of an option award is estimated on the date of grant using the binomial option pricing model that uses the following assumptions:

	2008	2009	2010	2011
Risk-free interest rate	3.95%	4.18% - 4.50%	3.29% - 4.24%	3.86% - 4.05%
Exercise multiple	2	2	2	2
Expected volatility	66%	66% - 67%	63% - 65%	58% - 61%
Expected dividend yield	0%	0%	0%	0%
Fair value of ordinary shares	$0.35	$0.38 - $1.15	$1.34 - $3.14	$4.02 - $4.03

The fair value of nonvested shares as of the grant date is estimated based on the fair value of our ordinary shares.

As of March 31, 2013, there was a total $3.6 million in unrecognized share-based compensation, which represents employees' nonvested shares and options expected to be recognized over the weighted average period of 2.4 years.

On May 22, 2013, we granted options to purchase an aggregate of 302,250 ordinary shares under our Amended and Reinstated 2008 Share Incentive Plan to certain of our employees, and 15,936 of which were vested on May 22, 2013. Such options have an exercise price that is equal to our initial public offering price. Therefore, the fair value of the options will be determined upon our initial public

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offering. On the same date, we granted a total of 702,571 restricted shares to certain of our executive officers and employees, and 5,311 of which were vested on May 22, 2013. The fair value of the restricted shares were determined as of May 22, 2013 to be $4.75 per share, the mid-point of the estimated range of the initial public offering price. We will start recognizing share-based compensation expenses associated with these grants commencing in the quarter ending June 30, 2013. We expect to recognize share-based compensation expenses of approximately $1.1 million in the quarter ending June 30, 2013 and $1.8 million in the year ending December 31, 2013.

Income Taxes

In preparing our consolidated financial statements, we must estimate our income taxes in each of the jurisdictions in which we operate. We estimate our actual tax exposure and assess temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we include in our consolidated balance sheet. We must then assess the likelihood that we will recover our deferred tax assets from future taxable income. If we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance, we must include an expense within the tax provision in our consolidated statement of operations.

Management must exercise significant judgment to determine our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We base the valuation allowance on our estimates of taxable income in each jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. If actual results differ from these estimates or we adjust these estimates in future periods, we may need to establish an additional valuation allowance, which could materially impact our financial position and results of operations.

U.S. GAAP requires that an entity recognize the impact of an uncertain income tax position on the income tax return at the largest amount that is more likely than not to be sustained upon audit by the relevant tax authority. If we ultimately determine that payment of these liabilities will be unnecessary, we will reverse the liability and recognize a tax benefit during that period. Conversely, we record additional tax charges in a period in which we determine that a recorded tax liability is less than the expected ultimate assessment. We did not recognize any significant unrecognized tax benefits during the periods presented in this prospectus.

Uncertainties exist with respect to the application of the New EIT Law and its implementation rules to our operations, specifically with respect to our tax residency status. The New EIT Law specifies that legal entities organized outside of the PRC will be considered residents for PRC income tax purposes if their "de facto management bodies" are located within the PRC. The New EIT Law's implementation rules define the term "de facto management bodies" as establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise. On April 22, 2009, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, was issued. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in China. Further the Administrative Measures of Enterprise Income Tax of Chinese controlled Offshore Incorporated Resident Enterprises (Trial), or Bulletin No. 45, took effect on September 1, 2011, and provides more guidance on the implementation of Circular 82. See "Regulations Regulations on Tax PRC Enterprise Income Tax."

According to Circular 82, a Chinese-controlled offshore-incorporated enterprise will be regarded as a PRC tax resident by virtue of having a "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions set forth in

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Circular 82 are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC. In addition, Bulletin No. 45 provides clarification in resident status determination, post-determination administration and competent tax authorities. It also specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese-controlled offshore-incorporated enterprise, the payer should not withhold 10% income tax when paying certain Chinese-sourced income, such as dividends, interest and royalties to the Chinese-controlled offshore-incorporated enterprise.

Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

Despite the uncertainties resulting from limited PRC tax guidance on the issue, we do not believe that our legal entities organized outside of the PRC are tax residents under the New EIT Law. If one or more of our legal entities organized outside of the PRC were characterized as PRC tax residents, our results of operations would be materially and adversely affected. See "Regulations Regulations on Tax PRC Enterprise Income Tax."

Jumpstart Our Business Startups Act of 2012

Section 107(b) of the Jumpstart Our Business Startups Act of 2012 provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the extended transition period. Although as of the date of this prospectus, we have not delayed the adoption of any accounting standard, as a result of this election, our future financial statements may not be comparable to other public companies that comply with the public company effective dates for new or revised accounting standards.

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Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,						Three Months Ended March 31,			
	2010		2011		2012		2012		2013	
	(U.S. dollars in thousands, except percentages)									
		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues
Net revenues	$ 58,694	100.0	$ 116,230	100.0	$ 200,010	100.0	$ 36,887	100.0	$ 73,310	100.0
Cost of goods sold	41,580	70.8	77,465	66.6	116,465	58.2	22,095	59.9	40,047	54.6
Gross profit	17,114	29.2	38,765	33.4	83,545	41.8	14,792	40.1	33,263	45.4
Operating expenses:										
Fulfillment	3,517	6.0	7,124	6.1	10,088	5.1	2,038	5.5	3,729	5.1
Selling and marketing	22,607	38.5	38,465	33.1	53,418	26.7	10,786	29.2	18,335	25.0
General and administrative	12,347	21.0	16,660	14.3	22,369	11.2	4,900	13.3	7,997	10.9
Impairment loss on goodwill and intangible assets			1,928	1.7						
Total operating expenses	38,471	65.5	64,177	55.2	85,875	43.0	17,724	48.1	30,061	41.0
(Loss) income from operations	(21,357)	(36.4)	(25,412)	(21.9)	(2,330)	(1.2)	(2,932)	(8.0)	3,202	4.4
Interest income (expense) and other	13		3		(1,881)	(0.9)	(47)	(0.1)	(573)	(0.8)
(Loss) income before income taxes	(21,344)	(36.4)	(25,409)	(21.9)	(4,211)	(2.1)	(2,979)	(8.1)	2,629	3.6
Income taxes (expenses) benefit	(579)	(1.0)	878	0.8	(19)				(19)	
Net (loss) income	(21,923)	(37.4)	(24,531)	(21.1)	(4,230)	(2.1)	(2,979)	(8.1)	2,610	3.6

As a result of the acquisition of Shanghai Ouku by our VIE, Lanting Huitong, on May 24, 2010, Shanghai Ouku became our VIE's subsidiary and its results of operations since June 1, 2010 have been consolidated in our results of operations. As a result, our results of operations for the year ended December 31, 2010 are not necessarily comparable to our results of operations for the years ended December 31, 2011 and 2012.

	Year Ended December 31,						Three Months Ended March 31,			
	2010		2011		2012		2012		2013	
	(U.S. dollars in thousands, except percentages)									
		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues
Apparel	$ 19,719	33.6	$ 46,888	40.4	$ 80,274	40.2	$ 15,796	42.8	$ 22,547	30.8
Electronics and communication devices	26,031	44.4	36,844	31.7	42,079	21.0	4,452	12.1	10,303	14.1
Small accessories and gadgets(1)	1,521	2.6	11,770	10.1	40,695	20.3	8,427	22.8	28,660	39.1
Home and garden	4,077	6.9	13,509	11.6	22,454	11.2	6,051	16.4	7,707	10.5
Others(2)	7,346	12.5	7,219	6.2	14,508	7.3	2,161	5.9	4,093	5.5
Total net revenues	58,694	100.0	116,230	100.0	200,010	100.0	36,887	100.0	73,310	100.0

(1) Includes products such as video game accessories, tablet computer and computer gadgets, electronics gadgets, car accessories, cell phone accessories, flashlights, lights, home and office gadgets, batteries, gifts and party supplies, toys and travel kits.

(2) Includes beauty, sports and outdoor and other categories of products.

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Comparison of the Three Months Ended March 31, 2012 and 2013

Net Revenues

Our net revenues in the three months ended March 31, 2012 and 2013 were $36.9 million and $73.3 million, respectively, reflecting an increase of 98.7%. Our net revenue growth was primarily due to an increase in the number of customers. The number of our customers in the three months ended March 31, 2012 and 2013 was approximately 0.4 million and 1.1 million, respectively, reflecting an increase of 185.6%.

We have increased our product listings in each of our existing product categories to offer more variety and choices to our customers, which has allowed us to capture additional customer demand and retain our existing customers. As of March 31, 2012 and 2013, we had more than 87,600 and 220,000 product listings, respectively, reflecting an increase of 151.1%.

We have also continued to increase our customer base by increasing our penetration of various geographic markets. In the three months ended March 31, 2012 and 2013, Europe represented the largest region by revenue where our products were sold.

Cost of Goods Sold

Our cost of goods sold in the three months ended March 31, 2012 and 2013 were $22.1 million and $40.0 million, respectively, reflecting an increase of 81.3%. This increase was primarily due to the continued growth of our business and increase in product sales.

Our cost of goods sold as a percentage of our net revenues was 59.9% and 54.6% for the first three months of 2012 and 2013, respectively. The decrease in cost of goods sold as a percentage of our net revenues was primarily due to changes in our product mix as we increased our focus on the sale of higher margin products.

Gross Profit

As a result of the foregoing, our gross profits in the three months ended March 31, 2012 and 2013 were $14.8 million and $33.3 million, respectively, reflecting an increase of 124.9%. Our gross margins for the three months ended March 31, 2012 and 2013 were 40.1% and 45.4%, respectively.

Fulfillment Expenses

Our fulfillment expenses in the three months ended March 31, 2012 and 2013 were $2.0 million and $3.7 million, respectively, reflecting an increase of 83.0%. Fulfillment expenses as a percentage of our net revenues for the three months ended March 31, 2012 and 2013 decreased from 5.5% to 5.1%. This decrease was primarily due to our ability to strengthen our logistics management and greater economies of scale, which were offset by the increase in fulfillment personnel compensation and payment processing costs.

Selling and Marketing Expenses

Our selling and marketing expenses in the three months ended March 31, 2012 and 2013 were $10.8 million and $18.3 million, respectively, reflecting an increase of 70.0%, primarily due to the continued growth of our business. Our marketing program expenses in the same periods were $8.5 million and $15.7 million, respectively, and our marketing personnel expenses in the same periods were $2.3 million and $2.6 million, respectively.

Selling and marketing expenses as a percentage of our net revenues for the first three months of 2012 and 2013 decreased from 29.2% to 25.0%. Marketing program expenses as a percentage of our net revenues in the same periods decreased from 22.9% to 21.5%. Marketing personnel expenses as a

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percentage of our net revenues in the same periods decreased from 6.3% to 3.5%. The decrease in selling and marketing expenses as a percentage of our net revenues was primarily due to our greater brand recognition and economies of scale as well as more efficient utilization of our selling and marketing channels.

General and Administrative Expenses

Our general and administrative expenses in the three months ended March 31, 2012 and 2013 were $4.9 million and $8.0 million, reflecting an increase of 63.2%. This increase was primarily due to increases in the number of our general and administrative personnel and the level of average compensation and benefits paid. Share-based compensation expenses included in general and administrative expenses in the same periods were $0.7 million and $0.4 million, respectively.

General and administrative expenses as a percentage of our net revenues for the first three months of 2012 and 2013 decreased from 13.3% to 10.9%. This decrease was primarily due to greater economies of scale, partially offset by increases in the number of our general and administrative personnel and average compensation and benefits paid.

(Loss) Income from Operations

As a result of the foregoing, we incurred loss from operations of $2.9 million for the three months ended March 31, 2012, while we generated income from operations of $3.2 million for the three months ended March 31, 2013.

Interest Expenses

Our interest expenses were approximately $47,000 and $0.6 million for the three months ended March 31, 2012 and 2013, respectively, including amortization of debt discount of $26,000 and $0.3 million, respectively, during the same periods, both related to our convertible notes issued in March 2012.

Income Tax Expenses

Our income tax expenses in the three months ended March 31, 2012 and 2013 were nil and approximately $19,000, respectively. Our effective income tax rate for the three months ended March 31, 2013 was 0.7%, lower than the PRC statutory rate of 25.0%, mainly due to the utilization of deferred tax assets carried over which resulted in a reversal of valuation allowance from prior years.

Net (Loss) Income

As a result of the foregoing, we incurred net loss of $3.0 million in the three months ended March 31, 2012, while we generated net income of $2.6 million in the three months ended March 31, 2013.

Comparison of the Years Ended December 31, 2010, 2011 and 2012

Net Revenues

Our net revenues in 2010, 2011 and 2012 were $58.7 million, $116.2 million and $200.0 million, respectively, reflecting an increase of 98.0% from 2010 to 2011 and 72.1% from 2011 to 2012. Our net revenue growth was primarily due to an increase in the number of customers. The number of our customers in 2010, 2011 and 2012 was approximately 0.5 million, 0.9 million and 2.5 million, respectively, reflecting an increase of 105.6% from 2010 to 2011 and 161.5% from 2011 to 2012. Growth in our net revenues was also attributable to an increase in repeat customer purchases.

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We have increased our product listings to offer more variety and choices to our customers, which has allowed us to capture additional customer demand and increase our number of customers. We have increased the number of product listings in each of our existing product categories while expanding into other product categories such as small accessories and gadgets and home and garden. As of December 31, 2010, 2011 and 2012, we had more than 59,000, 103,000 and 205,000 product listings, respectively, reflecting an increase of approximately 74.6% from 2010 to 2011 and 99.0% from 2011 to 2012.

We have also increased our customer base by increasing our penetration of various geographic markets. We have initially focused on the North American market prior to 2010 but have since expanded our marketing efforts to increase the sale of our products to customers in Europe and other parts of the world. In each of 2010, 2011 and 2012, Europe represented the largest region in which our products were sold.

Cost of Goods Sold

Our cost of goods sold in 2010, 2011 and 2012 were $41.6 million, $77.5 million and $116.5 million, respectively, representing an increase of 86.3% from 2010 to 2011 and 50.3% from 2011 to 2012. This increase was primarily due to the continued growth of our business and increase in product sales.

Our cost of goods sold as a percentage of our net revenues was 70.8%, 66.6% and 58.2% in 2010, 2011 and 2012, respectively. Decreases in cost of goods sold as a percentage of our net revenues were primarily due to changes in our product mix as we increased our focus on the sale of higher margin products and the strengthening of our logistics processes, which lowered shipping costs.

Gross Profit

As a result of the foregoing, our gross profits in 2010, 2011 and 2012 were $17.1 million, $38.8 million and $83.5 million, respectively, reflecting an increase of 126.5% from 2010 to 2011 and 115.5% from 2011 to 2012. Our gross margins in 2010, 2011 and 2012 were 29.2%, 33.4% and 41.8%, respectively.

Fulfillment Expenses

Our fulfillment expenses in 2010, 2011 and 2012 were $3.5 million, $7.1 million and $10.1 million, respectively. Fulfillment expenses as a percentage of our net revenues in 2010, 2011 and 2012 were 6.0%, 6.1% and 5.1%, respectively.

The decrease in our fulfillment expenses as a percentage of our net revenues from 2011 to 2012 was primarily due to our ability to strengthen our logistic management and greater economies of scale, which was offset by the increase in fulfillment personnel compensation and payment processing costs.

Selling and Marketing Expenses

Our selling and marketing expenses in 2010, 2011 and 2012 were $22.6 million, $38.5 million and $53.4 million, respectively. Our marketing program expenses in the same periods were $18.7 million, $28.6 million and $44.0 million, respectively. Our marketing personnel expenses in the same periods were $3.9 million, $9.9 million and $9.5 million, respectively.

Selling and marketing expenses as a percentage of our net revenues in 2010, 2011 and 2012 were 38.5%, 33.1% and 26.7%, respectively. Marketing program expenses as a percentage of our net revenues in the same periods were 31.9%, 24.6% and 22.0%, respectively. Marketing personnel expenses as a percentage of our net revenues in the same periods were 6.6%, 8.5% and 4.7%, respectively. From 2010 to 2012, as we achieved greater brand recognition and economies of scale as well as more efficient utilization of our selling and marketing channels, our marketing program expenses decreased as a percentage of our net revenues. From 2010 to 2011, our marketing personnel expenses increased as a percentage of our net revenues, which was due to an increase in the level of average compensation and benefits paid for our marketing personnel and increased headcount of marketing personnel as a result of the growth of our business. Such marketing personnel expenses decreased as a percentage of our net revenues from 2011 to 2012 as we achieved greater economies of scale and increased the efficiency of our marketing activities.

General and Administrative Expenses

Our general and administrative expenses in 2010, 2011 and 2012 were $12.3 million, $16.7 million and $22.4 million, respectively, reflecting an increase of 35.2% from 2010 to 2011 and 34.1% from 2011 to 2012. This increase was primarily due to an increase in the number of our general and administrative personnel and an increase in the level of average compensation and benefits paid. Share-based compensation expenses included in general and administrative expenses in 2010, 2011 and 2012 were $1.4 million, $2.0 million and $2.6 million, respectively.

General and administrative expenses as a percentage of our net revenues in 2010, 2011 and 2012 were 21.0%, 14.3% and 11.2%, respectively. This decrease was primarily due to greater economies of scale, partially offset by an increase in the number of our general and administrative personnel and an increase in average compensation and benefits paid.

Impairment Loss on Goodwill and Intangible Assets

We recorded an impairment loss on goodwill and intangible assets of $1.9 million in 2011. There were no impairment loss on goodwill and intangible assets in 2010 and 2012.

Loss from Operations

As a result of the foregoing, our losses from operations in 2010, 2011 and 2012 were $21.4 million, $25.4 million and $2.3 million, respectively.

Interest Income (Expense) and Other

Our interest income was approximately $13,000 and $3,000 in 2010 and 2011, respectively. In 2012, we incurred the amortization of debt discount of $1.1 million and interest expense of $0.7 million related to our convertible notes issued in March 2012.

Income Tax (Expenses) Benefit

Our income tax (expenses) benefit in 2010, 2011 and 2012 were $(0.6) million, $0.9 million and $(19,000), respectively. We generated a tax credit of $0.9 million in 2011 as a result of a refund of $0.6 million and a deferred tax benefit of $0.3 million relating to the intangible assets which had been fully impaired in 2011. The tax refund of $0.6 million was related to tax payments made by one of our entities in 2010, which was determined by the relevant PRC tax authority based on a tax assessment conducted for 2010 and was received in September 2011.

Net Loss

As a result of the foregoing, our net losses in 2010, 2011 and 2012 were $21.9 million, $24.5 million and $4.2 million, respectively.

Selected Quarterly Results of Operations

The following table sets forth our selected unaudited interim consolidated quarterly results of operations for each of the eight quarters in the period from April 1, 2011 to March 31, 2013. You

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should read the following table in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. We have prepared the unaudited interim consolidated quarterly financial information on the same basis as our audited consolidated financial statements. The unaudited interim consolidated financial information includes all normal recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the quarters presented. Our operating results for any particular quarter are not necessarily indicative of our future results.

	Three Months Ended							
	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	March 31, 2013
	(U.S. dollars in thousands)							
Net revenues	$ 27,163	$ 28,058	$ 33,077	$ 36,887	$ 47,317	$ 51,053	$ 64,753	$ 73,310
Cost of goods sold	17,254	18,037	22,210	22,095	27,574	29,447	37,349	40,047
Gross profit	9,909	10,021	10,867	14,792	19,743	21,606	27,404	33,263
Operating expenses*								
Fulfillment	1,342	1,976	2,203	2,038	2,386	2,497	3,167	3,729
Selling and marketing	8,604	10,433	9,442	10,786	13,044	14,048	15,540	18,335
General and administrative	4,546	3,898	4,892	4,900	5,067	5,434	6,968	7,997
Impairment loss on goodwill and intangible assets			1,928					
Income (loss) from operations	(4,583)	(6,286)	(7,598)	(2,932)	(754)	(373)	1,729	3,202
Interest income (expense) and other	1	1		(47)	(630)	(609)	(595)	(573)
Income taxes benefit (expenses)		606	272				(19)	(19)
Net income (loss)	(4,582)	(5,679)	(7,326)	(2,979)	(1,384)	(982)	1,115	2,610

* Includes share-based compensation expenses as follows:

	Three Months Ended							
	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	March 31, 2013
	(U.S. dollars in thousands)							
Fulfillment	$ 4	$ 3	$ 3	$ 3	$ 2	$ 2	$ 3	$ 2
Selling and marketing	15	27	34	33	28	29	27	25
General and administrative	553	358	731	726	725	722	395	392
Total share-based compensation expenses	572	388	768	762	755	753	425	419

Our net revenues grew rapidly in the recent several quarters. In 2012, the growth rate of our quarterly net revenues on a year-over-year basis as compared to 2011 increased each quarter due to the continuous expansion of our business. Our results of operations are subject to seasonal fluctuations. The fourth quarter of the past several years has generally been the strongest quarter in terms of revenues due to the increase in demand for our products during the holiday season. During the first quarter of the past several years, we typically experienced greater demand for our wedding dresses. We also achieved profitability in the fourth quarter of 2012 and the first quarter of 2013, as we recorded net income of $1.1 million and $2.6 million for such periods, respectively.

Liquidity and Capital Resources

Cash Flow and Working Capital

To date, we have financed our operations primarily through the proceeds from the issuance of our preferred shares and convertible notes. As of December 31, 2010, 2011, 2012 and March 31, 2013, we had $23.4 million, $6.8 million, $20.0 million and $25.9 million, respectively, in cash. In March 2012, we issued convertible notes with an aggregate principal amount of $8.0 million, which will be automatically converted into 2,224,610 ordinary shares upon the completion of this initial public offering.

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We expect to use the net proceeds from this offering to make further investments in enhancing our fulfillment and technology infrastructure, expanding our product offerings and categories, acquiring customers and brand-building and to make payments for interest accrued for the convertible notes issued in March 2012. We believe such investments will allow us to achieve greater economies of scale and increase efficiency in our operations more effectively and within a shorter period of time. As we continue to expand our business and gain further economies of scale, we expect our operating expenses as a percentage of our net revenues to decrease in the future. For example, we have experienced improvement in our fulfillment expense as a percentage of our net revenues and our general and administrative expenses as a percentage of our net revenue since the third quarter of 2011, which we expect to continue going forward. Furthermore, we are focused on improving the efficient utilization of our selling and marketing channels to reduce our marketing program costs and to better manage our variable expenses.

We also expect to continue to optimize our product mix with a focus on higher margin products, which we believe will lead to improved margin and cash flow. We have generated operating cash flow of $7.4 million and $6.6 million in 2012 and the three months ended March 31, 2013, respectively, as compared to cash outflow from operating activities in prior periods.

In the event that our operating expenses or other expenditures exceed our working capital, we may seek to issue debt or equity securities or obtain credit facilities. Any issuance of equity securities could cause dilution for our shareholders. Any incurrence of indebtedness could increase our debt service obligations and subject us to restrictive operating and financial covenants. Additionally, financing may not be available to us in amounts or on terms acceptable to us, or at all. However, we believe that we can continue our business and operations without raising additional funds for the 12 months after December 31, 2012 in order to meet the expenses and other expenditures required for our business operation.

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

	Year Ended December 31,			Three Months Ended March 31,	
	2010	**2011**	**2012**	**2012**	**2013**
	(U.S. dollars in thousands)				
Net cash provided by (used in) operating activities	$ (19,937)	$ (14,056)	$ 7,399	$ 2,714	$ 6,618
Net cash provided by (used in) investing activities	2,285	(1,834)	(1,284)	(187)	(581)
Net cash provided by (used in) financing activities	35,000	(787)	7,070	7,638	(61)
Net increase (decrease) in cash and cash equivalents	17,348	(16,677)	13,185	10,165	5,976
Effect of exchange rate changes on cash and cash equivalents	10	24	1	1	1
Cash and cash equivalents at beginning of the period	6,081	23,439	6,786	6,786	19,972
Cash and cash equivalents at end of the period	23,439	6,786	19,972	16,952	25,949

Operating Activities

We started to generate positive cash flow from operating activities since 2012, primarily attributable to an increase in the number of our customers and our increased business activities, which has led to increased operating efficiency and profitability. In comparison, we experienced negative cash flow from operating activities in 2010 and 2011, primarily as a result of cash spending on customer acquisition through marketing efforts as part of our continued business expansion, and to a lesser extent, increases to our inventory as we expanded our product offerings to provide customers more choices and a better selection.

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Net cash provided by operating activities was $6.6 million in the three months ended March 31, 2013, primarily attributable to our net income of $2.6 million, adjusted by the non-reconcilation of non-cash items of $1.4 million, an increase in advances from customers of $2.6 million and a decrease in inventory levels of $0.8 million, which were a result of increased business activities that led to increased customer orders and orders placed with our suppliers. Net cash provided by operating activities was partially offset by a decrease in accrued expenses and other current liabilities of $1.9 million, due to the voluntary payment to relevant tax authority of individual income taxes withheld in March 2013. Additional factors that affected our operating cash flow included a decrease in prepaid expenses and other current assets of $1.4 million.

Net cash provided by operating activities was $7.4 million in 2012, primarily attributable to increase in accrued expenses and other current liabilities of $5.1 million, increase in accounts payable of $4.0 million and increase in advances from customers of $3.6 million, which were a result of increased business activities that led to increased customer orders, overhead and orders placed with our suppliers. Net cash provided by operating activities was partially offset by our net loss of $4.2 million, adjusted by non-cash items of $6.1 million, which mainly included share-based compensation of $2.7 million, amortization of debt discount of $1.1 million related to our convertible notes issued in March 2012 and depreciation and amortization of $1.0 million. Additional factors that affected our operating cash flow included an increase in prepaid expenses and other current assets of $5.8 million, which was primarily due to the continued growth of our business that led to increases in customer purchases.

Net cash used in operating activities was $14.1 million in 2011, primarily attributable to our net loss of $24.5 million, adjusted by the reconciliation of non-cash items of $5.2 million, which mainly included share-based compensation of $2.1 million, depreciation of $0.9 million, increase in inventory reserve of $0.5 million as well as goodwill and intangible assets impairment of $1.9 million. Net cash used in operating activities was partially offset by an increase of $4.2 million in accrued expenses and other current liabilities and an increase of $1.7 million in accounts payable, which were a result of increased business activities that led to increased overhead and orders placed with our suppliers.

Net cash used in operating activities was $19.9 million in 2010. Our net cash used in operating activities in 2010 reflected a net loss of $21.9 million, adjusted by the reconciliation of non-cash items of $2.0 million, which mainly included share-based compensation of $1.5 million. Additional factors that affected our operating cash flow included an increase in inventories of $3.9 million, primarily in anticipation of an increase in customer demand driven by our increased marketing efforts, and an increase in prepaid expenses and other current assets of $2.7 million, primarily due to an increase in the sale of our products on supplemental online outlets that increased the amount of payments due to us. Net cash used in operating activities was partially offset by an increase of $2.5 million in advances from customers, an increase of $2.1 million in accrued expenses and other current liabilities and an increase of $1.6 million in accounts payable, which were all a result of increased business activities that led to increased customer orders, overhead and orders placed with our suppliers.

Investing Activities

Net cash used in investing activities was $0.6 million in the three months ended March 31, 2013, primarily attributable to $0.5 million used for the improvement of our new warehouse and office space and the purchase of additional information technology equipment and an increase in restricted cash of $0.1 million.

Net cash used in investing activities was $1.3 million in 2012, primarily attributable to $0.9 million used for the improvement of our new office space and the purchase of additional information technology equipment and an increase in restricted cash of $0.4 million.

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Net cash used in investing activities was $1.8 million in 2011, primarily attributable to $1.6 million used for the improvement of our new warehouse and new office space and the purchase of additional information technology equipment.

Net cash provided by investing activities was $2.3 million in 2010, primarily due to maturity of term deposits of $5.2 million, which was partially offset by the payment of $1.5 million for the acquisition of Shanghai Ouku, the purchase of equipment for our warehouses and our information technology infrastructure for $0.9 million and an increase in restricted cash of $0.4 million.

Financing Activities

Net cash used in financing activities was approximately $61,000 in the three months ended March 31, 2013, attributable to payment of expenses related to the preparation for our initial public offering.

Net cash provided by financing activities was $7.1 million in 2012, attributable to the issuance of our convertible notes in the amount of $8.0 million in March 2012 which was offset by $0.9 million in payment of expenses related to the preparation for our initial public offering.

Net cash used in financing activities was $0.8 million in 2011, which was primarily due to payment of expenses related to preparation for our initial public offering of $0.6 million and the payment of $0.2 million for the deferred consideration relating to acquisition of Shanghai Ouku.

Net cash provided by financing activities was $35.0 million in 2010, which was from the issuance of our Series C convertible redeemable preferred shares.

Capital Expenditures

Our capital expenditures amounted to $0.9 million, $1.6 million, $0.9 million and $0.5 million in 2010, 2011, 2012 and the three months ended March 31, 2013, respectively. Our capital expenditures have historically comprised of leasehold improvements, purchase of equipment for our warehouses and our information technology infrastructure. We expect to increase our capital expenditures in the future as we continue to invest in our fulfillment and technology infrastructure.

Acquisition

Our VIE, Lanting Huitong, acquired Shanghai Ouku in May 2010 for $2.2 million (RMB14.3 million). Shanghai Ouku operates *www.ouku.com*, which focuses on the sale of electronics, communications devices and other products to consumers in China.

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2012:

	Payment Due by Period				
	Total	**Less than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 Years**
	(U.S. dollars in thousands)				
Operating lease obligations	$ 4,066	$ 1,643	$ 2,232	$ 191	$
Total	4,066	1,643	2,232	191	

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Holding Company Structure

We are a holding company with no material operations of our own. We conduct our operations primarily through Light In The Box Limited, our Hong Kong subsidiary, Lanting Jishi, our wholly owned subsidiary in China. Under Hong Kong law, there are no withholding taxes on remittance of dividends. Under PRC law, each of Lanting Jishi, Lanting Huitong, Lanting Gaochuang and Shanghai Ouku is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserves until the accumulated amount of such reserves reaches 50% of its respective registered capital. Although the statutory reserves can be used, among other ways, to increase the 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. Lanting Jishi is permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations.

Pursuant to the contractual arrangements among Lanting Jishi and our VIEs, Lanting Jishi can charge our VIEs service fee equal to substantially all of their net income. After paying the withholding taxes applicable to Lanting Jishi's revenue and earnings, making appropriations for its statutory reserve requirement and retaining any profits from accumulated profits, the remaining net profits of Lanting Jishi would be available for distribution to its sole shareholder, Light In The Box Limited, and from Light In The Box Limited to us.

We have not, and do not have any present plan, for our PRC subsidiary, Lanting Jishi, to distribute any dividends. We do not believe our current structure will limit our holding company's ability to timely meet our cash obligations in the near future, as we currently generate and expect to continue to generate the majority of our revenues and receive the majority of our cash from customers outside of China through Light In The Box Limited, our Hong Kong subsidiary. However, if, in the future, we require our PRC subsidiary to distribute dividends to us, restrictions on the distribution of dividends may have an adverse effect on our ability to meet our cash obligations in a timely manner. Please see "Risk Factors Risks Related to Doing Business in China We may rely on dividends and other cash distributions on equity paid by our subsidiaries to fund and financing requirements we may have, and any limitation on the ability of our subsidiaries payments to us could have a material adverse effect on our ability to conduct our business."

Off-balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Inflation

Inflation in China has not in the past materially impacted our results of operations. However, China has recently experienced a significant increase in inflation levels, which may materially impact our results of operations in the future. According to the National Bureau of Statistics of China, the change of consumer price index in China was 3.3% in 2010, 5.4% in 2011 and 2.6% in 2012.

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Market Risks

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by our bank deposits, which are unrestricted as to withdrawal and use, and highly liquid investments that have maturities of three months of less. We have not used any derivative financial instruments to manage our interest risk exposure. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to material risks due to changes in interest rates. An increase in interest rates, however, may raise the cost of any debt we incur in the future. In addition, our future interest income may be lower than expected due to changes in market interest rates.

Foreign Exchange Risk

Most of our revenues are denominated in U.S. dollars, while some of our expenses are denominated in Renminbi. We are subject to foreign exchange translation differences in our Hong Kong subsidiary as its product costs are negotiated and fixed in Renminbi and retranslated into U.S. dollars before payment. In addition, our PRC subsidiary and consolidated affiliated entities hold U.S. dollars in PRC bank accounts to pay for certain Renminbi-denominated expenses such as payroll and rent. As such, they are subject to foreign exchange translation differences on their U.S. dollar balances. The foreign exchange impacts relate to accounts payable denominated in Renminbi were negative $80,000, $146,000, negative $17,354 and negative $16,815 for the years ended December 31, 2010, 2011 and 2012 and for the three months ended March 31, 2013, respectively, and the foreign exchange impacts relate to the U.S. dollars held by PRC entities with Renminbi as functional currency were negative $176, $242, negative $2 and negative $2 for each of the years ended December 31, 2010, 2011 and 2012 and for the three months ended March 31, 2013, respectively. All foreign exchange impact was recorded in general and administrative expenses in our consolidated statement of operations.

We have no hedges against currency risk. If Renminbi continues to appreciate relative to the U.S. dollar, our cost to acquire products priced in Renminbi and our expenses denominated in Renminbi will become more expensive in U.S. dollars. Consequently, any increase in the value of the Renminbi against the U.S. dollar may reduce our margins, reduce our competiveness against retailers with costs denominated in currencies other than Renminbi or render us unable to meet our costs.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the current policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the removal of the U.S. dollar peg, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. During the period between July 2008 and June 2010, the Renminbi has traded stably within a narrow range against the U.S. dollar. Since June 2010, the Renminbi has started to slowly appreciate further against the U.S. dollar.

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 adversely affect the Renminbi amount we receive from the conversion. Assuming we were to convert the net proceeds received in this offering into Renminbi, a 1.0% increase in the value of the Renminbi against the U.S. dollar would decrease the amount of Renminbi we receive by RMB4.3 million. Similarly, to the extent that we need to convert Renminbi into U.S. dollars, depreciation of the Renminbi against the U.S. dollar would decrease the U.S. dollar amount we receive from the conversion. Our U.S. dollar denominated cash balance was $17.7 million as of March 31, 2013 and our Renminbi denominated cash balance was RMB7.7 million as of March 31, 2013. Assuming we had converted the Renminbi denominated cash balance of

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RMB7.7 million into U.S. dollars at the exchange rate of $1.00 for RMB6.2108 as of March 29, 2013, this cash balance would have been approximately $1.2 million. Assuming a 1.0% depreciation of the Renminbi against the U.S. dollar, this cash balance would have been approximately $12,295 less as of March 31, 2013.

Recent Accounting Pronouncements

Newly Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (the "FASB") issued an authoritative pronouncement on fair value measurement. The guidance is the result of joint efforts by the FASB and International Accounting Standards Board to develop a single, converged fair value framework. The guidance is largely consistent with existing fair value measurement principles in U.S. GAAP. The guidance expands the existing disclosure requirements for fair value measurements and makes other amendments, mainly including:

- Highest-and-best-use and valuation-premise concepts for nonfinancial assets the guidance indicates that the highest-and-best-use and valuation-premise concepts only apply to measuring the fair value of nonfinancial assets.

- Application to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk the guidance permits an exception to fair value measurement principles for financial assets and financial liabilities (and derivatives) with offsetting positions in market risks or counterparty credit risk when several criteria are met. When the criteria are met, an entity can measure the fair value of the net risk position.

- Premiums or discounts in fair value measure the guidance provides that "premiums or discounts that reflect size as a characteristic of the reporting entity's holding (specifically, a blockage factor that adjusts the quoted price of an asset or a liability because the market's normal daily trading volume is not sufficient to absorb the quantity held by the entity) rather than as a characteristic of the asset or liability (for example, a control premium when measuring the fair value of a controlling interest) are not permitted in a fair value measurement."

- Fair value of an instrument classified in a reporting entity's shareholder's equity the guidance prescribes a model for measuring the fair value of an instrument classified in shareholders' equity; this model is consistent with the guidance on measuring the fair value of liabilities.

- Disclosures about fair value measurements the guidance expands disclosure requirements, particularly for Level 3 inputs. Required disclosures include:

  - For fair value measurements categorized in Level 3 of the fair value hierarchy: (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (2) a description of the valuation process in place (e.g., how the entity decides its valuation policies and procedures, as well as changes in its analyses of fair value measurements, from period to period), and (3) a narrative description of the sensitivity of the fair value to changes in unobservable inputs and interrelationships between those inputs.

  - The level in the fair value hierarchy of items that are not measured at fair value in the statement of financial position but whose fair value must be disclosed.

The guidance is to be applied prospectively and effective for interim and annual periods beginning after December 15, 2011, for public entities. Early application by public entities is not permitted. The adoption of this guidance on January 1, 2012 did not have a significant effect on our consolidated financial statements.

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In June 2011, the FASB issued an authoritative pronouncement to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareholders' equity. The guidance does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The guidance should be applied retrospectively. For public entities, the amendments are effective for fiscal years and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. In December 2011, the FASB issued an authoritative pronouncement related to the deferral of the effective date for amendments to the presentation of reclassifications of items out of accumulated other comprehensive income. This guidance allows the FASB to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. While the FASB is considering the operational concerns about the presentation requirements for reclassification adjustments and the needs of financial statement users for additional information about reclassification adjustments, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before the pronouncement issued in June 2011. We adopted these pronouncements on January 1, 2012. The presentation of comprehensive income was retrospectively applied for all the periods presented.

In September 2011, the FASB issued an authoritative pronouncement related to testing goodwill for impairment. The guidance is intended to simplify how entities, both public and nonpublic, test goodwill for impairment. The pronouncement permits an entity to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of this guidance on January 1, 2012 did not have a significant effect on our consolidated financial statements.

In December 2011, the FASB issued an authoritative pronouncement related to disclosures about offsetting assets and liabilities. The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The adoption of this guidance on January 1, 2013 did not have a significant impact on our consolidated financial statements.

In July 2012, the FASB issued an authoritative pronouncement related to testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the guidance, an entity testing an indefinite-lived intangible asset for impairment has the option of performing a qualitative assessment before calculating the fair value of the asset. If the entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is not more likely than not (i.e., a likelihood of more than 50%) impaired, the entity would not need to calculate the fair value of the asset. The guidance does not revise the requirement to test indefinite-lived intangible assets annually for

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impairment. In addition, the guidance does not amend the requirement to test these assets for impairment between annual tests if there is a change in events or circumstances; however, it does revise the examples of events and circumstances that an entity should consider in interim periods. The guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption of this guidance is permitted. The adoption of this guidance on January 1, 2013 did not have a significant impact on our consolidated financial statements.

In February 2013, the FASB issued an authoritative pronouncement related to Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, to improve the transparency of reporting these reclassifications. Other comprehensive income includes gains and losses that are initially excluded from net income for an accounting period. Those gains and losses are later reclassified out of accumulated other comprehensive income into net income. The amendments in this ASU do not change the current requirements for reporting net income or other comprehensive income in financial statements. All of the information that this ASU requires already is required to be disclosed elsewhere in the financial statements under U.S. GAAP.

The new amendments will require an organization to:

Present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period.

Cross-reference to other disclosures currently required under U.S. GAAP for other reclassification items (that are not required under U.S. GAAP) to be reclassified directly to net income in their entirety in the same reporting period. This would be the case when a portion of the amount reclassified out of accumulated other comprehensive income is initially transferred to a balance sheet account (e.g., inventory for pension-related amounts) instead of directly to income or expense.

The amendments apply to all public and private companies that report items of other comprehensive income. Public companies are required to comply with these amendments for all reporting periods (interim and annual). The amendments are effective for reporting periods beginning after December 15, 2012, for public companies. Early adoption is permitted. The adoption of this guidance on January 1, 2013 did not have a significant effect on our consolidated financial statements.

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OUR INDUSTRY

Global Online Retail Market

Global online retail sales continue to experience robust growth. As global Internet accessibility continues to improve and broadband usage proliferates, consumers are increasingly utilizing the Internet to purchase goods and services. Growth of global online retail sales is expected to outperform that of global retail sales. According to Euromonitor International, or Euromonitor, global retail sales are expected to grow at a CAGR of 6.2% from $13.2 trillion in 2012 to $15.8 trillion in 2015, while global online retail sales is expected to grow at a CAGR of 17.7% from $521 billion in 2012 to $849 billion in 2015.

Retail Sales in Major Markets in 2012 (U.S. dollars in billions)

Source: © Euromonitor International 2013

The following charts set forth the historical and estimated number of global online retail shoppers and global online retail sales for the periods indicated:

Global Online Retail Shoppers (in millions)

Source: International Data Corporation Worldwide New Media Market Model, 2H2012, February 2013

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Global Online Retail Sales (U.S. dollars in billions)

Source: © Euromonitor International 2013

Despite its rapid growth, online retail penetration remains low in major markets around the world, but has and is expected to continue to increase over time. For instance, according to Euromonitor, online retail sales as a percentage of total retail sales in the United States increased from 4.2% in 2008 to 6.5% in 2012 and is expected to increase further to 8.9% by 2015. The following charts set forth the size of the major online retail markets around the world and online retail penetration for the periods indicated:

Online Retail Sales in Major Global Markets (U.S. dollars in billions)

Source: © Euromonitor International 2013

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Online Retail Sales as Percentage of Total Retail Sales

Source: © Euromonitor International 2013

While online retail sales as a percentage of total sales continues to increase, there are significant differences between individual product categories. Many product categories remain heavily dominated by offline retailers, as demonstrated in the chart below. These categories present significant opportunities for the future growth of online sales.

Online Retail Sales vs. Total Retail Sales by Category in the United States in 2012 (U.S. dollars in billions)

Source: © Euromonitor International 2013

China Manufacturing Capabilities Powering the Global Retail and Online Retail Markets

With the ability to produce high quality products at low costs by employing efficient and flexible manufacturing and access to an abundant supply of experienced and low-cost labor, China has become a major manufacturing hub for the export of consumer goods to global markets. According to iResearch, the Chinese consumer goods export market is expected to grow from $1,270 billion in 2012

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to $1,983 billion in 2015, representing a CAGR of 16.0%. The following chart sets forth the historical and estimated size of the Chinese consumer goods export market for the periods indicated:

Chinese Consumer Goods Export Market (U.S. dollars in billions)

Source: iResearch

Opportunities for China-based Companies to Engage in Global Online Retailing

We believe that there are increasing opportunities for China-based companies to participate in global online retail, primarily as a result of the following factors:

- access to China's large, flexible, low cost and increasingly value-added export-oriented manufacturing base;
- the availability of efficient global payment and logistics solutions that enable direct shipment of goods to consumers around the globe;
- the ability to use online marketing to directly target and acquire potential customers globally; and
- the removal of trade barriers, including high tariffs and import quotas, aided by the WTO.

Our product categories, such as apparel, small accessories and gadgets and home and garden, target large global markets with strong consumer demand. For example, according to Global Industry Analysts, the 2011 global bridal wear market was expected to be $42 billion.

China-based Global Online Retail Market

Through the Internet, China-based online retailers are able to access a global consumer base. With cost advantages and direct sourcing capabilities, they have been able to emerge and grow quickly. According to iResearch, the global online retail market for direct-to-consumer China-made goods is expected to grow from $1.7 billion in 2012 to $9.0 billion in 2015, representing a CAGR of 75.8%. There are many smaller companies existing today in this market. We believe that the high degree of market fragmentation presents an attractive and immediate opportunity for large scale, well-capitalized companies to capture significant market share, achieve economies of scale, build brand equity and establish best practices.

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China-based Global Online Retail (U.S. dollars in billions)

Source: iResearch

Key Challenges Facing China-based Companies Targeting the Global Online Retail Market

We believe there are a number of challenges faced by China-based companies that sell consumer goods to global consumers, including:

- offering a customized shopping experience and managing online marketing for an international customer base;
- acquiring deep understanding of consumer needs across diverse geographic markets to build and maintain product offerings and presentation that maximize purchase conversion;
- offering a broad selection of high quality products at global standards;
- establishing a scalable and integrated technology, fulfillment and logistics infrastructure with global reach; and
- creating and maintaining global brand equity.

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OUR BUSINESS

Overview

LightInTheBox is a global online retail company that delivers products directly to consumers around the world. We offer customers a convenient way to shop for a wide selection of lifestyle products at attractive prices through *www.lightinthebox.com*, *www.miniinthebox.com* and our other websites, which are available in 17 major languages and cover more than 80.0% of Internet users globally, according to Internet World Stats. Our innovative data-driven business model allows us to offer customized products at scale for optimal marketing, merchandising and fulfillment. We have built an effective business model whereby we source most of our products directly from China-based manufacturers and we work closely with them to re-engineer their manufacturing processes to achieve faster time-to-market with a greater variety of products. We acquire customers exclusively through the Internet and serve our customers from our cost-effective locations in mainland China and Hong Kong. In 2012, we ranked number one in terms of revenue generated from customers outside of China among all China-based retail websites that source products from third-party manufacturers, according to a report conducted at our request by iResearch, an independent market research firm.

We target lifestyle product categories where consumers value choice or customization. We believe that by offering more variety and personalization we will be able to create and capture new consumer demand. We offer products in the three core categories of apparel, small accessories and gadgets and home and garden, representing categories with the fastest net revenue growth in terms of absolute amount in 2012. The products of our core categories generally require design specificity, thus giving us more pricing flexibility and allowing us to capture higher margin potentials. At any time, a customer shopping for a special occasion dress on our site can have her dress made-to-measure, choosing from more than 4,300 distinctive designs. As of March 31, 2013, we had more than 220,000 product listings. In the three months ended March 31, 2013, we added an average of more than 14,000 new product listings each month.

We serve consumers globally without incurring the costs and complexities associated with establishing a traditional multinational retail infrastructure. Our major markets are Europe and North America. We use global online marketing platforms such as Google and Facebook to reach our consumers, we accept payments through all major credit cards and electronic payment platforms such as PayPal and we deliver our goods through major international couriers, including UPS, DHL and FedEx.

We believe that being a China-based company provides important advantages in supply chain management. We strive to source high quality products directly from some of the most competitive manufacturers in the strongest supply ecosystems. By locating our sourcing offices near some of the most competitive factories, we realize cost advantages and just-in-time inventory management as we create effective supplier competition while maximizing the quality of our products. Our suppliers benefit from working closely with our in-house manufacturing experts to re-engineer their manufacturing processes to achieve faster time-to-market for our products and enable large scale production of individually customized products.

To acquire and retain customers across diverse geographic markets, we have developed proprietary technologies to manage and optimize our large-scale technical and marketing operations. In addition, we have established a specialized social marketing team that uses creative interactive activities to engage online users. We provide a user-friendly online shopping experience and intelligent product recommendation algorithms to facilitate purchasing decisions.

We have developed a proprietary technology platform that integrates every aspect of our business operation, including global marketing, online shopping platforms, supply chain management, fulfillment and logistics and customer service. Our founders have extensive experience and expertise in software

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development. We have made significant investments in software research and development to improve operational efficiency and enable business innovation.

We have grown significantly since we commenced our operations. Our net revenues grew from $6.3 million in 2008 to $200.0 million in 2012. Our net revenues were $73.3 million in the three months ended March 31, 2013. The number of our customers increased from approximately 36,000 in 2008 to approximately 2.5 million in 2012. The number of our customers was approximately 1.1 million in the three months ended March 31, 2013. We experienced a net loss of $3.0 million, $4.8 million, $21.9 million, $24.5 million and $4.2 million in 2008, 2009, 2010, 2011 and 2012, respectively. We generated net income of $2.6 million for the three months ended March 31, 2013. We also used cash in operating activities of $2.1 million, $2.3 million, $19.9 million and $14.1 million in 2008, 2009, 2010 and 2011, respectively. We generated $7.4 million and $6.6 million in cash from operating activities in 2012 and the three months ended March 31, 2013, respectively.

Our Strengths

We believe we are a first mover in offering consumers around the world an attractive online shopping experience by fully capitalizing on direct sourcing from Chinese manufacturers with manufacturing capacity optimized for online consumer demand. We believe the following strengths contribute to our success and differentiate us from our competitors:

Scalable business model designed for global reach

We have a highly scalable business model that allows us to serve consumers in over 200 countries and territories without incurring the costs and complexities associated with a traditional multinational retailing infrastructure. In 2012, customers in Europe and North America represented 50.7% and 24.0% of our net revenues, respectively. In the three months ended March 31, 2013, we derived 64.7% and 19.8% of our net revenues from these regions, respectively. We leverage advanced third-party infrastructure to enable our global business and to focus our investment in areas that create the most consumer value on top of it. As a result, we were able to achieve historically low capital expenditures. Through targeted online marketing platforms such as Google and Facebook, we are able to cost effectively acquire consumers at scale. Through secure online payment platforms such as PayPal, we are able to process payments in real-time from all major credit cards issued globally. Through major global carriers including UPS, DHL and FedEx, we are able to deliver products door-to-door to most destinations around the world, directly from our China-based warehouses. We use Amazon Web Services cloud computing and Akamai CDN technology to provide cost effective and easily scalable infrastructure to support our growth and to optimize the speed of our websites as accessed by users globally. We have professionals from 18 different countries, all based in China, which provides us with deep understanding into global online consumer markets in a cost effective way. As we serve consumers all over the world, we are also able to quickly apply our experience in one market to other markets.

Supply chain optimization for faster time-to-market and product variety

We source over 70% of our products directly from factories in China. We have established six sourcing offices in locations with strong supply ecosystems for specific product categories. We have a comprehensive supplier qualification system and have over 2,300 selected active suppliers, which increased from over 600 in 2010. Our supplier network allows us to create both effective competition and close relationships to control costs by enhancing our purchasing power and to ensure capacity, quality and flexibility.

Our in-house manufacturing experts work closely with our suppliers' factories in order to provide visibility and influence over the manufacturing process, and enable continuous improvements and business innovations. For example, we have helped our apparel suppliers re-engineer their

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manufacturing process to enable large scale production of individually tailored products with short lead time.

We are able to maintain a low inventory level, by adopting a frequent procurement strategy with short refill cycles from suppliers. We make daily orders to our suppliers and, in most cases, they are able to deliver to our warehouses within 48 hours for the majority of our products and ten to 14 days for customized apparel. Such procurement strategy also enables us to maintain high customer order fulfillment rate as the supply side information is up to date.

Distinctive products optimized for online merchandising

We target lifestyle product categories where consumers value choice or customization. We adopt a quantitative and rigorous product selection and management approach. By conducting market analyses on an ongoing basis, and carefully monitoring customer reviews on our or third-party websites and social media channels, including our Facebook page, we are able to optimize our product offerings by rapidly responding to the latest market trends and consumer preferences. As of March 31, 2013, we had more than 220,000 product listings and in the three months ended March 31, 2013, we added an average of more than 14,000 new product listings each month. Most of our products are non-branded or private label products.

As a result of our direct sourcing and manufacturing innovations, we are able to provide differentiated products at attractive prices in order to capture niche consumer demands or create new consumer demand, setting us apart from traditional factories, which provide mass-produced items with little flexibility and long lead time, or boutique firms, which may provide customization but only at a limited scale and may lack standardized quality control measures. For example, we offer more than 1,900 faucet designs. At any time, a customer shopping for a special occasion dress on our site can have her dress made to measure, choosing from more than 4,300 distinctive designs, over 250 different color and fabric combinations, and any size based on her measurements. Collectively, such made-to-measure offering provides diversity equivalent to more than 5 billion SKUs by traditional retail standards.

We have also established our own designer teams to create distinctive product designs. In certain categories, we have increasingly introduced products under our product brands to further offer product differentiation to consumers.

Sophisticated online marketing capabilities

We utilize scalable online marketing and rich shopping experience to efficiently acquire and retain customers across the world. Targeted performance marketing and social viral marketing are the two primary marketing vehicles we use. Our targeted performance marketing includes search engine marketing, display advertising, affiliate marketing and email marketing. We have developed proprietary technologies to manage and optimize our large-scale performance marketing operations. For example, we have developed an algorithm to discover keyword combinations that are most likely to offer an attractive return on investment. Currently, we actively manage millions of keywords across 17 languages, as well as display advertising on over 100,000 publisher sites. We have established specialized social marketing team to promote our brand and presence across major global social networking platforms through viral marketing campaigns.

Our self developed platform provides rich online shopping experience. Through data mining, we continuously improve the layout, flow and general usability of our websites. We have built specialized photo and video studios to produce rich media content that best illustrates our product features. We have multilingual copywriter teams to ensure we translate important information on our websites into different languages accurately and in a timely fashion. We have organized many online activities to encourage sharing among consumers. We have real-time online support to communicate with customers

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via online chats. We believe our emphasis on offering a rich shopping experience has played a vital role in facilitating consumer purchasing decisions.

Advanced technology platform that enables business innovation

We have developed a proprietary technology platform with strong data processing capabilities that integrates every aspect of our business operations, including online marketing, online shopping platform, supply chain management, fulfillment and logistics and customer service. This integrated platform enables us to collect and analyze critical business data, maintain end-to-end control over the entire online retail process, gather customer and supplier feedback at every step, share data across all of our online sales channels, and comprehensively streamline our operations to achieve significant economies of scale across the online retail value chain.

We have made significant investments in software research and development to improve operational efficiency and enable business innovation. We have developed proprietary technology to address internet specific problems inherent in global online retail. For example, determining the best shipping method to over 200 countries and territories requires complex algorithms that take into account a variety of real-time factors, including product mix, sourcing options, shipping costs and delivery speed. Based on statistical analyses of past transactions, we have developed software to dynamically optimize our logistics. We have also developed online fraud detection algorithms optimized for global online retail.

Global operations with cost advantages from our base operations in China

We operate our business from mainland China and Hong Kong. This provides us with cost advantages in many business functions, including warehouse operations, software development, marketing operations and customer service. As the Internet and ecommerce have developed rapidly in China, we have attracted a group of well-trained Internet professionals at a significantly lower cost as compared with those in the United States or Europe. We are also able to attract many foreign professionals and overseas returnees to work for us in China. In addition, we have campus recruiting and training programs to target young talents with foreign language skills. Such combined strategies have enabled us to build a highly cost effective and globally competitive work force. For example, we have more than 30 marketing campaign optimizers with extensive mathematic or engineering background to effectively manage our marketing activities. We also have well-trained photo-editing professionals in our photo studios to produce more than 108,000 high quality product photos per month.

Our Strategies

Our goal is to become a leading global online retail company that revolutionizes the way people shop and manufacturers produce their merchandise. We have built an organization with unique competitive advantages that can provide us with long-term sustainable growth. We plan to execute the following key strategies in order to increase customer base and loyalty, improve marketing and sourcing efficiency, reduce operational costs and establish brand preference:

Enhance our customer experience to grow our customer base

We intend to continue to enhance the shopping experience of our customers to grow our customer base and drive repeat customers and repeat purchases. We plan to further improve the functionality and content quality of our websites in order to facilitate customer purchasing decisions. We aim to launch new promotional mechanisms such as website promotional deals. We will also further invest in our customer service and enhance our online community-based customer peer sharing and support. We are currently developing our proprietary customer relationship management program to better understand and serve the needs of our existing customers and have also implemented focused marketing initiatives to encourage repeat purchasing. We expect these actions to strengthen customer loyalty and brand recognition for *www.lightinthebox.com*, *www.miniinthebox.com* and our other websites.

Expand and strengthen our product offerings

We aim to apply our business model and manufacturing expertise to new lifestyle product categories where customers value variety, individual customization, significantly improved quality or significantly reduced costs. We will analyze market demand and size, supply chain structure, Chinese cost advantages, existing brand companies, disruptive innovation opportunity, online marketing efficiency, logistical feasibility and cost and expected margin. We believe that introducing new product categories, especially those with high intrinsic repeat purchase rates, will allow us to capture a broader range of consumer demand, stimulate cross-selling and repeat purchases, and foster our loyal customer base.

We intend to continuously optimize our product offerings in each category by providing more product choices, by introducing more competitive suppliers and by capturing market and industry trends more promptly and precisely. In order to offer more unique and differentiated products to our customers, we aim to acquire deeper domain knowledge in each product category and invest in product design and innovations. Within each of our product categories, we intend to introduce more sub-categories over time. For example, in our home and garden category, we have recently introduced bedding products and plan to introduce made-to-order curtains. We have also expanded our bridal wear category to offer bridesmaid dresses, mother-of-the-bride dresses, flower girl dresses and shoes and accessories.

In addition, we intend to continue building our own product labels to further differentiate our product offerings, provide more value to consumers, strengthen brand recognition and foster loyalty. We have recently launched our brand of fast fashion apparel for women, *Three Seasons / TS*, and our brand of faucets, *Sprinkle*. We are currently selling our *Three Seasons / TS* and *Sprinkle* products on *www.lightinthebox.com* and other websites. We intend to develop and introduce additional brands within our product categories.

Strengthen our supply chain management and efficiency

We will help our suppliers to scale up capacity, improve product quality and packaging, reduce cost, reduce lead time and increase flexibility. We will achieve this by investing in manufacturing process innovation and optimization to improve capacity management. We also aim to apply such process to more product categories. We will also introduce specialty suppliers from outside China on an as needed basis.

Optimize our logistics network and infrastructure

We plan to continue to optimize our logistics processes, infrastructure and network. We will refine our algorithms to dynamically optimize fulfillment and inventory management. We intend to work with major global couriers to develop customized shipping methods, reduce shipping time and cost, and improve the overall customer experience. For certain product categories we may also consider using third-party logistics and collection centers in selected overseas locations to reduce our logistics costs and expedite delivery time for our customers.

Deepen our market penetration globally and build stronger brand awareness

We recognize different lifestyle and consumer preferences in various geographic markets. We plan to provide more market-specific product offerings and logistic and customer service solutions. We also plan to further tailor our marketing and branding activities for each major market. Our increased localization efforts towards each market will be enabled by a unified technology system that can provide flexibility in business practices with minimal additional overhead.

We aim to help global consumers overcome language barriers in online shopping, and we target geographic regions with under represented online retail markets due to language barriers. We will provide even broader access to our websites by offering other languages on our websites in the near future.

Invest in our technology platform

We intend to increase the level of automation and technological sophistication of our operations, particularly in areas such as marketing, order processing, customer service and data collection and analysis. We also intend to expand our data-mining capabilities to conduct in-depth analysis of customer purchase patterns and preferences. We will further optimize our websites for display on mobile devices to make shopping for our lifestyle products more convenient for mobile Internet users. We believe that having an advanced technology platform will be essential in allowing us to further improve our customer experience, enhance operational efficiency and lower operating expenses.

Our Websites

We operate our business primarily through *www.lightinthebox.com*, offering customized apparel, small accessories and gadgets, home and garden, electronics and communication devices and other products. Our *www.lightinthebox.com* website is currently available in English, French, Spanish, German, Italian, Portuguese, Russian, Dutch, Danish, Norwegian, Japanese, Swedish, Korean, Hebrew and Finnish. We intend to offer other languages on our website in the near future. We also offer our products on our Arabic website.

We have established additional websites for more specific product categories and geographic regions, including *www.miniinthebox.com* for small accessories and gadgets and *www.ouku.com* for products targeting our Chinese customer base. All of our websites are supported by a common technology platform, allowing for centralized inventory management across all of our websites.

Our websites offer consumers a rich shopping experience and includes comprehensive information on our entire line of products such as detailed descriptions, rich media presentation, size and color availabilities and customer reviews. We have multilingual copywriter teams to ensure we translate important information on our websites in different languages accurately and in a timely fashion. Users may search and view our products by category, style and other popular features. They may also search by product name, code or keyword. We offer users social media tools on our websites to share information about our products on the world's major social networking sites. We have also established online communities to foster customer peer sharing.

We have made our websites easily accessible by users on their mobile devices. We believe this provides our customers with greater flexibility and convenience as to when and where they shop and provide us with the ability to attract even more customers. We have launched a dedicated shopping application that works with the iPhone™ and the iPad™ to enhance the mobile shopping experience of our users.

Supplemental Online Outlets

In addition to our own websites, we also experiment with selling through outlets on other high traffic online marketplace platforms such as Amazon.com, eBay.com and Taobao.com. These other online outlets provide us with additional channels for the sale of our products and market intelligence to optimize our product offerings. In 2010, 2011, 2012 and the three months ended March 31, 2013, we generated approximately 9.4%, 9.3%, 8.6% and 5.2% of our net revenues, respectively, through these supplemental online outlets.

Our Product Categories

We primarily offer customers lifestyle products through our websites. We have historically focused on apparel and electronics and communication devices. Recently, we have introduced other categories of lifestyle products, with a particular focus on small accessories and gadgets and home and garden, as well as beauty and sports and outdoor. We intend to continue to add product categories and increase the variety and customization options of the products we offer in each of our categories.

Our product offerings include:

Apparel. This category includes customized, special occasion apparel, such as wedding dresses, bridesmaid dresses, groom wear, cocktail dresses, formal evening wear, graduation dresses and accessories. It also includes fast fashion, namely women's apparel that represents the latest fashion trends, under our *Three Seasons / TS* brand.

Small Accessories and Gadgets. This category includes video game accessories, tablet computer and computer gadgets, electronics gadgets, electronics accessories such as electronic cables, headsets and chargers and home theater system accessories, car accessories, cell phone accessories, flashlights, lights, home and office gadgets, batteries, gifts and party supplies, toys and travel kits. Small accessories and gadgets are predominantly offered through our dedicated website, *www.miniinthebox.com*.

Home and Garden. This category includes faucets (including our own *Sprinkle* brand of faucets), lighting fixtures, paintings, portable home appliances, bathroom fixtures, door and window fixtures and certain types of furniture.

Electronics and Communication Devices. This category includes tablet computers, car electronics, security systems, portable music and DVD players, projectors, cell phones, short-wave radios, virtual display glasses and music player sunglasses. We intend to continue to grow sales for our consumer electronics products.

Other. This category includes beauty products such as make-up supplies, wigs, footbaths, and ultrasonic cleaners. It also includes sports and outdoors products.

We have established dedicated product category management teams with strong expertise in their individual categories. We focus on product categories with strong market demand and large market size, supply chain feasibility, Chinese cost advantages, online marketing efficiency, logistical feasibility and cost saving potentials. After products are selected, we conduct frequent real-time customer behavior analysis and seek customer feedback through surveys to improve and tailor our offerings. This allows us to quickly make adjustments and improvements to our products or the presentation of such products. For certain of our products, we have established our own design teams. Such internal design expertise allows us to create distinctive product designs and provide design feedback to suppliers as to the latest fashions and trends. Our design teams also assist us with our product selection and product presentation to maximize the appeal of our product offerings.

Our Relationship with Suppliers

We source most of our products directly from factories in China. We have a comprehensive supplier qualification system and have over 2,300 selected active suppliers. We select our suppliers based on a range of factors, including product quality, price, reliability, financial strength, reputation, ability to meet our delivery timeline and production capacity, ability to increase their production

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capacity along with the increase in our business and historical relationship. We employ a bidding process for the selection of our suppliers to encourage competition.

While we do not have manufacturing operations ourselves, we have in-house manufacturing experts who work closely with our suppliers. This provides us with visibility into the manufacturing process, which allows us to efficiently manage capacity and quality and enables continuous improvements and business innovations. Typically Light In The Box Limited enters into one-year supply framework agreements with the Hong Kong entities or agents of our suppliers for our branded and unbranded products and specify in each purchase order the product type, unit price, quantity, delivery timeline and other detailed items. As the manufacturing processes of some of our products, such as apparel and certain electronics, require a variety of delicate parts and materials, we usually require our suppliers to procure key materials from our designated raw material suppliers in case of raw material shortages and to ensure prompt fulfillment for popular items. We may also require our suppliers to produce custom fabrics and other materials in accordance with certain design and specification. Our suppliers are liable for problems and costs associated with custom clearance.

We have established a supply network that is characterized by on-demand procurement with low lead time. We have established six sourcing offices in China. We work with many of our suppliers to re-engineer their manufacturing process that enables us to place orders in relatively small batches. This provides us with the advantage to quickly adjust the design of our products, in each batch if needed, based on real-time customer feedback. For our made-to-measure products, such as customized apparel, we place orders with our suppliers only when our customers have placed an order, and such products are delivered to our warehouses by our suppliers within ten to 14 days from the time when we place an order. For non-customized products, we adopted a frequent procurement strategy characterized with short refill cycles from suppliers that are, in most cases, within 48 hours. Our supply chain management system has been efficient in managing inventory while also reducing production waste for our suppliers, which we believe increases the desire for suppliers to work with us.

Starting from the fourth quarter of 2011, we have entered into arrangements with certain suppliers under which the suppliers store their products at our warehouses. Such products are referred to in this prospectus as co-location inventory. Such co-location inventory products are delivered to our warehouses by our suppliers at their own costs, and we do not record these products as our inventory until all liabilities and rights of ownership of these products are passed on to us upon the confirmation of orders by our customers. We have the right to ask the suppliers to remove the co-location inventory from our warehouses at any time, generally at the suppliers' own costs. However, we may from time to time pay the transportation cost associated with returning such products to suppliers. In addition, certain agreements with our suppliers require them to remove unsold co-location inventory within 90 days after these products are delivered. The costs and expenses incurred related to the storage of co-location inventory in our warehouses, such as rentals, are generally paid by us. As of December 31, 2011 and 2012, the co-location inventory stored at our warehouses amounted to $1.5 million and $3.9 million, respectively.

Purchases from our suppliers accounted for 71.4%, 68.1%, 65.1% and 64.0% of our total cost of sales in 2010, 2011, 2012 and the three months ended March 31, 2013, respectively. Purchases from the largest supplier accounted for 6.3%, 5.6%, 3.0% and 3.3% of our total cost of sales for the same periods, respectively.

Pricing

In general, we aim to set our products at competitive prices. For example, in the United States, average spending on a wedding dress was $1,166 in 2011, according to The Wedding Report, Inc. We offer customized wedding dresses at an average price of $209 in 2011. We price our products to reflect the savings associated with direct sourcing, low inventory levels and optimized logistics. We set the

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price of our products based on consumer demand and feedback, sourcing costs, delivery costs and existing market prices for similar products. As we perform extensive data analysis on our product presentation and customer purchasing decisions, we believe we can effectively conduct targeted promotional activities, identify optimal pricing points for each product and generate strong sales and gross-margin performance.

Payment and Order Fulfillment

Payment

Our customers may choose from a wide range of payment methods. For our customers on *www.lightintthebox.com* and other sites targeting customers outside of China, operated by Light In The Box Limited, available payment options include online payment through all major credit and debit cards, including Visa, MasterCard and American Express, and electronic payment platforms such as PayPal, money transfer through Western Union and wire transfer. However, available payment options may differ depending on the country or region in which the customers are based.

For customers on our *www.ouku.com* and other sites operated by Lanting Huitong and Shanghai Ouku targeting customers in China, payment options include cash on delivery, online payment, wire transfer and postal remittance. We also allow our customers to pay online with credit cards and debit cards issued by major banks in China, or through popular third-party electronic payment platforms.

Order Fulfillment

We have established strategically located warehouses in Suzhou, Jiangsu Province and Shenzhen, Guangdong Province. In total, our warehouses measure over 44,700 square meters and have the capacity to handle over 72,000 orders per day. As we grow our business, we build incremental capacity to reduce our capital expenditures. Our warehouses are currently leased.

Generally, orders placed by our customers are transmitted via our information technology system to one of our warehouses. As a result of our unique supply network, we have generally maintained a low inventory level and, in many cases, do not keep many products in stock. Rather, we transmit orders to our suppliers for fulfillment only when such orders are received from our customers or on a daily basis in small batches. Products are then delivered from our suppliers to our warehouses for quality inspection before being shipped out to our customers by third-party couriers. We make daily orders to our suppliers and, in most cases, they are able to deliver to our warehouses within 48 hours for the majority of our products and ten to 14 days for customized apparel. Typically, non-customized products are delivered to customers within 14 days from the time when an order is placed. Wedding gowns and other customized apparel are generally delivered within 21 days from the time when an order is placed. We regularly monitor our order fulfillment process and solicit customer feedback to ensure fulfillment accuracy.

We offer a wide range of delivery options to our customers. We work with global couriers such as UPS, DHL and FedEx, for international deliveries. We also work with various local couriers for deliveries in China.

Refund and Exchange

We have implemented refund and exchange policies specific to each of our product categories. Generally, for products sold through our *www.lightinthebox.com*, *www.miniinthebox.com* and other sites targeting customers outside of China, if the product is returned for quality issues, damage during shipping, failure to conform to specifications, allergic reactions, we generally provide a full refund if the customer submits a return-request form to one of our customer service representatives within seven days of receiving the product. The seven-day refund period is extended for certain products. Customized apparel return requests are subject to additional restrictions due to the personalized nature of such products. For products sold through our *www.ouku.com* and other sites targeting customers in China, refunds are generally provided within seven days of purchase for quality issues. Customers in China who choose to make payment on delivery can inspect products and reject the delivery in part or in whole prior to paying for the goods.

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Quality Control

We believe that our ability to offer quality products is essential to our continued growth and success. Therefore, we emphasize quality control and, as of March 31, 2013, we had built a quality control department of 132 employees.

As we source all of our products from suppliers, we have implemented a series of quality control measures to ensure that the products they provide meet our specifications and standards. We communicate actively with our suppliers to clarify our requirements, conduct onsite inspections both to ensure compliance with specifications on particular items as well as for regular quality concerns and share customer feedback. We thoroughly examine product prototypes or initial samples before production begins or agreements with the suppliers are enter into. We examine products when they arrive at our warehouses and we thoroughly inspect most of our products just prior to delivery to our customers.

Marketing

We focus our marketing activities on effective customer acquisition through targeted performance marketing. We primarily employ search engine marketing on a cost-per-click basis. Users are shown our advertisements when they conduct searches using designated keywords or phrases. Under our cost-per-click arrangements, we pay a fixed fee for each time a user clicks on our advertisements, with a higher fee for common keywords with a high correlation to purchase intention. Under our cost-per-acquisition arrangements, we pay a fixed fee for each time a user purchases a product after clicking on an advertisement. We employ a combination of our own proprietary technology and advanced third-party infrastructure to manage and optimize our cost-per-click advertising and to discover long-tail multilingual keywords that are most likely to offer a positive return on investment.

We display contextual advertising through major search engines' advertising networks on a cost-per-click basis. We measure the cost of customer acquisition and constantly adjust our keyword selection combinations, advertising copies and landing pages to increase the likelihood of customer purchases once they visit our websites. We also engage in an affiliate marketing program where we offer affiliated websites commissions for directing customer traffic to our websites through embedded hyperlinks. As of the date of this prospectus, we actively managed millions of keywords in 17 languages and display advertising on over 100,000 publisher sites around the world. Furthermore, we have established a specialized social marketing team to promote our brand and presence across major global social networking platforms through viral marketing campaigns, such as exclusive deals to stimulate customer purchases.

We are also focused on providing our customers with a rich shopping experience, which drives customer recommendations, foster customer sharing and encourages repeat customer visits. We engage in direct marketing campaigns through personalized electronic direct marketing newsletters to our customers. We believe that our data analysis capabilities facilitate repeat purchases as we are able to send targeted notices to customers highlighting products they may find relevant and attractive.

Customer Service

We believe our rapid growth in past years and success in attracting a growing customer base is partially attributable to our effort to provide excellent customer service. We have a team of highly trained customer service representatives to address customer inquiries, educate potential customers about our products and services and monitor order progress. We also pay close attention to reviews of our business or products on our or third-party websites in order to promptly address customer complaints and to improve our shopping experience and product offerings. As of March 31, 2013, we had a total of 66 customer service representatives that are able to provide customer services in

17 languages, up from 9 languages in 2010, and most of these representatives have overseas working experience.

We primarily provide customer services for our *www.lightinthebox.com*, *www.miniinthebox.com* and other sites targeting customers outside of China through electronic communications, including real-time online chat, e-mails and messages posted on our websites or through social media networks. Customer service for our *www.ouku.com* and other sites targeting customers in China are provided through toll-free call centers and electronic communications.

Our websites also offer a variety of self-help features. These features help our customers to track the status of their orders in real time. Customers may also cancel or modify their orders or contact our customer service representatives for exchange or return of products. We collect customer feedback to improve our responses and utilize such feedback to update our knowledge base to better address customers' needs.

For discussion as to our product exchange and return policy, see " Payment and Order Fulfillment Refund and Exchange."

Technology

We have focused on and will continue to invest in our information technology infrastructure and applications. We have built a proprietary modularized and scalable technology infrastructure, which enables us to quickly expand system capacity and add new features and functionalities in response to our business needs and evolving customer demand without affecting our existing operations or incurring significant costs. As of March 31, 2013, we had 168 technology, research and development personnel.

Our systems are mainly composed of front-end and back-end modules with different functions. Each module operates independently and is not affected by the performance of other modules. The following describes the functionality of our front-end and back-end modules:

Front-end Modules. Our front-end modules support the operation of our user-interface websites, including user account management, website homepages, search functions, category browsing, product display pages, online shopping carts, checkout and order management functions.

Back-end Modules. Our back-end modules support our business operations, including our marketing system, order processing system, inventory management system, sourcing system (which is connected to systems of many of our suppliers for order placement and tracking), product fulfillment system (which is tied to our warehouses), product recommendation system, e-mail delivery system and customer support system. Many of our back-end systems work with each other and our financial operations systems and can generate up-to-date inventory reports and automatically place customized orders with our manufacturers.

A critical component of our business model is our data analysis capabilities. We have a dedicated data analysis team to track, analyze and forecast customer purchase and browsing behaviors. This enables us to anticipate market demand, arrange for production, rearrange website layouts and product placement, product presentation and supports our supply network. Our systems are integrated to allow a seamless communication of data regarding our customers, their orders, product availability information and logistics information.

Our open application programming interface approach allows us to integrate and work with third-party websites including social network sites, electronic payment platforms, other online distribution outlets and analytic systems. We have also adopted rigorous security policies and measures, including our dual-key and server-specific encryption technology, to protect customer privacy. Customers are protected by their own unique passwords and by our advanced data security software.

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Competition

The retail market for our products is intensely competitive. Consumers have many product choices online and offline offered by global, regional and local retailers. Our current or potential competitors include online retailers such as other China-based global online retail companies, retail chains, specialty retailers and sellers on online marketplaces. Each of our competitors has unique strengths that depend on their demographic, product and geographic focus. We may also in the future face competition from new entrants, consolidations of existing competitors or companies created through spin-offs of our larger competitors. For information in relation to the competitive challenges that we face, see "Risk Factors Risks Related to Our Business and Industry The online retail industry is intensely competitive and we may not compete successfully against new and existing competitors, which may materially and adversely affect our results of operations."

We compete on the basis of characteristics such as sourcing products efficiently, technology innovation, pricing our products competitively, maintaining the quality of our products and services, anticipating and responding quickly to changing consumer demands, conducting strong and effective marketing activities and maintaining favorable brand recognition. We believe that our primary competitive advantages are our technology-enabled infrastructure, our differentiated product offerings, direct sourcing from cost competitive and flexible suppliers in China, strong online marketing capabilities, favorable prices, effective customer service, and a strong management team.

Intellectual Property

We rely on a combination of trademark, trade secret and other intellectual property laws as well as confidentiality agreements with our employees, manufacturers and others to protect our intellectual property. As of the date of this prospectus, we have registered domain names for all of our websites, including *www.lightinthebox.com*, *www.ouku.com* and *www.miniinthebox.com* and trademarks and service marks in China, Hong Kong and the European Union, including for *Lightinthebox* and *MiniInTheBox*. In addition, we have filed additional trademark applications in China, Hong Kong, Japan, the European Union and the United States.

In addition to the protection of our intellectual property, we are also focused on ensuring that our product offerings do not infringe the intellectual property of others. We have adopted internal policies and guidelines during product design and procurement process to make sure our suppliers and products we offer do not infringe on third-party intellectual property rights. All our supplier agreements contain provisions to safeguard against potential intellectual property infringement by our suppliers and impose severe penalties in the event of any infringement. We will also refuse to work with or terminate our relationship with suppliers in the event of intellectual property right violations. In addition, we have also engaged third-party advisors to assist us in ensuring compliance with third-party intellectual property rights.

Despite our best efforts, however, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights and that products sold on our websites do not infringe or misappropriate the intellectual property rights of others. For information in relation to the challenges we face protecting our intellectual property, see "Risk Factors Risks Related to Our Business and Industry We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position." For information in relation to the challenges we face in relation to preventing our infringement of the intellectual property rights of others, see "Risk Factors Risks Related to Our Business and Industry Products manufactured by our suppliers may be defective or inferior in quality or infringe on the intellectual property rights of others, which may materially and adversely affect our business."

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Employees

As of December 31, 2010, 2011, 2012 and March 31, 2013, we had 636, 834, 1,052 and 1,126 full-time employees, respectively. All of our employees are based in China. We have employees from 18 countries, namely the United States, United Kingdom, Italy, Portugal, Spain, France, Germany, the Netherlands, South Korea, Russia, Ecuador, Sweden, Denmark, Poland, Czech Republic, Finland, Israel and China. The following table sets forth the number of our employees by function as of March 31, 2013:

	Number of Employees
Fulfillment	520
Selling and Marketing	68
Technology, Research and Development	168
General and Administrative	370
Total	1,126

We believe that we offer our employees competitive compensation packages and, as a result, we have generally been able to attract and retain qualified personnel and maintain a stable management team.

We generally enter into standard employment contracts with our employees, which contain non-compete provisions. Furthermore, we have entered into confidentiality agreements with many of our key employees that aim to protect our trademarks, designs, trade secrets and other intellectual property rights.

As required by PRC regulations, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing fund. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government. The total amounts of contributions we made to employee benefit plans in 2010, 2011, 2012 and the three months ended March 31, 2013 were $1.3 million, $2.9 million, $3.8 million and $1.2 million, respectively.

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

Facilities

We currently lease all properties for our operations. Our corporate headquarters are located in Beijing, China. We have established sourcing offices in Beijing, Shenzhen, Guangdong Province, Shanghai, Suzhou, Jiangsu Province, Guangzhou, Guangdong Province and Yiwu, Zhejiang Province. We maintain warehouses in Suzhou, Jiangsu Province and Shenzhen, Guangdong Province. We have also established photo studios in Beijing and Shenzhen, Guangdong Province. The following table sets forth a summary of our leased properties as of the date of this prospectus:

Location	Size (in square meters)	Usage of Property
Beijing	4,551	Office space, sourcing office and photo studio
Suzhou, Jiangsu Province	10,232	Warehouse and sourcing office
Shenzhen, Guangdong Province	35,789	Warehouses, sourcing office and photo studio
Shanghai	1,000	Sourcing office
Guangzhou, Guangdong Province	199	Sourcing office
Yiwu, Zhejiang Province	122	Sourcing office

We believe that our existing facilities are adequate for our current business operations and we will be able to enter into lease arrangements on commercially reasonable terms for future expansion.

Insurance

We participate in government sponsored social security programs including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing fund. We do not currently maintain property insurance. In addition, as is typical in China, we do not maintain business interruption insurance, or general third-party liability insurance, general product liability insurance, or key-man life insurance. See "Risk Factors Risks Related to Our Business and Industry We do not have any business liability, disruption or litigation insurance and any business disruption or litigation we experience might result in our incurring substantial costs and diversion of resources."

Legal and Administrative Proceedings

We are currently not a party to and we are not aware of any threat of any legal, arbitration or administrative proceedings that, in the opinion of our management, are likely to have a material and adverse effect on our business, financial condition or results of operations. We have in the past, and may from time to time in the future, become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

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REGULATIONS

We sell our products to customers around the world, and as such we are subject to a number of foreign and domestic laws and regulations that affect companies conducting global online retail businesses, many of which are still evolving and could be interpreted in ways that could harm our business. For example, we are subject to laws protecting the privacy of customer non-public information and regulations prohibiting unfair and deceptive trade practices. Other laws in which we may be subject include issues such as user privacy, the tracking of consumer activities, marketing e-mails and communications, other advertising and promotional practices, content and quality of products and services, sales and other taxes, import and export laws, electronic contracts and other communications and mandatory data retention.

For example, tax authorities in a number of states in the United States are currently reviewing the appropriate tax treatment of companies engaged in online commerce, and new state tax regulations may subject us to additional state sales and income taxes. New legislation or regulations, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business or the application of existing laws and regulations to the Internet and commercial online services could result in significant additional taxes or regulatory restrictions on our business.

Many states in the United States have passed laws requiring notification to subscribers when there is a security breach of personal data. There are also a number of legislative proposals pending before Congress, various state legislative bodies and foreign governments concerning data protection. In addition, data protection laws in Europe and other jurisdictions outside the United States may be more restrictive, and the interpretation and application of these laws are still uncertain. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data practices, which could have an adverse effect on our business. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

Although our products are sold all over the world, our operations are based primarily in China, and as such, we are primarily governed by and especially sensitive to the laws and regulations of China, including the following:

Regulations Relating to Cross-border Trading

The Customs Law, effective as of July 1, 1987 and amended on July 8, 2000, divides imported and exported items into "goods" and "articles" based upon the nature and purpose of such items. Under the Customs Law, "goods" and "articles" are not defined. However, this concept is clarified in the Rules for the Implementation of Administrative Punishments Under the Customs Law, effective as of November 1, 2004. These Rules describes "articles" as postal items and travelers' luggage that are brought in and out of the PRC on an individual's person or luggage. When the quantity of articles is higher than a reasonable amount for personal use, it will be regarded as "goods." "Personal use" means that the traveler or consignee will use the items themselves or give the items as gifts, rather than selling or renting the items. "Reasonable amount" means the regular amount determined in accordance with the traveler or consignee's situation, purpose of travel and duration of stay. Product samples are also categorized as "goods", but customs declaration, clearance and inspection procedures for the export of product samples are handled differently from the export of other "goods".

The Foreign Trade Law, effective as of July 1, 2004, governs international trade in services and the import and export of goods and technologies. Under this law, goods and technologies are categorized as (i) permitted, which may be freely imported and exported, (ii) restricted, which require advance approval or (iii) prohibited, which may not be imported or exported at all. Currently, all merchandise we export is categorized as permitted. Furthermore, an "import and export trader", or any company or individual engaging in the import or export of goods or technologies, must register with the administrative department of foreign trade under the State Council or any of its authorized bodies in order to be qualified as a foreign trade business operator. According to current foreign trade laws, the Ministry of Commerce and its competent local branches are the authorized bodies to conduct qualification filings and registrations for foreign trade business operators.

The Customs Law requires that importers and exporters make true declarations of their goods and technologies to customs. The Measures for the Inspection of Imported and Exported Merchandise also requires that certain items must be inspected by a commodity inspection organization before it can be exported. Further, the Ministry of Commerce and General Administration of Customs jointly adopted a mandatory licensing system for the export of certain merchandise, which exporters must comply with depending on the commodities they export.

The customs declaration, clearance and inspection procedures for goods and articles are different. The declaration of import or export of goods may be made by the consignees or consigners themselves or by customs brokers that have registered with the permission of the customs. The consignees, consigners or customs brokers shall make true declarations and submit the import or export license for restricted goods and relevant documentation to the customs for inspection. The Measures for the Inspection of Imported and Exported Merchandise also requires that certain goods must be inspected by a commodity inspection organization before it can be exported, while exported articles are generally exempted from inspection, unless otherwise required by law.

We work with third-party couriers to ship the merchandise purchased by our global customers on a parcel-by-parcel basis and to go through customs declaration, clearance and inspection procedures for the export of these merchandise. The customs declaration, clearance and inspection procedures for the merchandise which are packaged and shipped in parcels are handled in accordance with procedures for articles or product samples. If the PRC government determines that our custom declaration practice do not comply with applicable laws and regulations and the merchandise we sell to our global customers shall be exported as goods instead of articles or product samples, it may take regulatory or enforcement actions against us. See "Risk Factors Risks Related to Doing Business in China We may be adversely affected by the uncertainties and changes in the PRC regulations and policies of cross-border activities."

Corporate Laws and Industry Catalogue Relating to Foreign Investment

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC, or the Company Law, effective in 1994 and as amended in 1999, 2004 and 2005, respectively. The Company Law is applicable to our PRC subsidiary, our VIEs and Shanghai Ouku unless the PRC laws on foreign investment have stipulated otherwise.

The establishment, approval, registered capital requirement and day-to-day operational matters of wholly foreign owned enterprises, such as our PRC subsidiary, Lanting Jishi, are regulated by the Wholly Foreign owned Enterprise Law of the PRC, effective in 1986 and as amended in 2000, and the Implementation Rules of the Wholly Foreign Owned Enterprise Law of the PRC, effective in 1990, as amended in 2001.

Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, which was promulgated and is amended from time to time by the Ministry of Commerce and the National Development and Reform Commission. The Catalogue divides industries into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations.

Establishment of wholly foreign owned enterprises is generally permitted in encouraged industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are also subject to higher-level government approvals. Foreign investors are not allowed to invest in industries in the prohibited category.

Regulations Relating to Telecommunications Services

On September 25, 2000, the State Council promulgated the Telecommunications Regulations, or the Telecom Regulations. The Telecom Regulations draw a distinction between "basic telecommunication services" and "value-added telecommunication services." Internet content provision services, or ICP services, is a subcategory of value-added telecommunications businesses. Under the Telecom Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the MIIT or its provincial level counterparts.

On September 25, 2000, the State Council issued the Administrative Measures on Internet Information Services, or the Internet Measures. According to the Internet Measures, commercial ICP service operators must obtain a value-added telecommunications license for Internet information service or an ICP license from the relevant government authorities before engaging in any commercial ICP operations within the PRC. In November 2000, the MIIT promulgated the Administrative Measures on Internet Electronic Messaging Services, or the BBS Measures. BBS services include electronic bulletin boards, electronic forums, message boards and chat rooms. The BBS Measures require Internet information services operators to obtain specific approvals or filings before providing BBS services.

On December 26, 2001, the MIIT promulgated the Administrative Measures on Telecommunications Business Operating License, or the Telecom License Measures. On March 1, 2009, the MIIT issued the revised Telecom License Measures, which took effect on April 10, 2009. The Telecom License Measures set forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. For example, an ICP operator providing value-added services in multiple provinces is required to obtain an inter-regional license, whereas an ICP operator providing the same services in one province is required to obtain a local license.

To comply with these PRC laws and regulations, Lanting Huitong, as our ICP operator, holds an ICP license.

Regulations Relating to Foreign Investment in Value-Added Telecommunications Industry

According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises issued by the State Council effective in January 2002, as amended in September 2008, a foreign investor may hold no more than a 50% equity interest in a value-added telecommunications services provider in China and such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record.

The Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, or the Circular, issued by the former Ministry of Information Industry in July 2006, reiterated the regulations on foreign investment in telecommunications businesses, which require foreign investors to set up foreign-invested enterprises and obtain an ICP license to conduct any commercial ICP business in China. Under the Circular, a domestic company that holds an ICP license is prohibited from leasing, transferring or selling the license to foreign investors in any form and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, certain relevant assets, such as the relevant trademarks and domain names that are used in the value-added telecommunications business must be owned by the local ICP license holder or its shareholders. The Circular further requires each ICP license holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and information security in accordance with the standards set forth under relevant

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PRC regulations. If an ICP license holder fails to comply with the requirements in the Circular and also fails to remedy such non-compliance within a specified period of time, the Ministry of Information Industry (currently the MIIT) or its local counterparts have the discretion to take administrative measures against such license holder, including revoking its ICP license.

Regulations Relating to Internet Information Services and Content of Internet Information

On September 25, 2000, the State Council issued the Administrative Measures on Internet Information Services, or the Internet Measures, to regulate the provision of information services to online users through the Internet. According to the Internet Measures, entities engaged in the provision of Internet information services within the PRC should obtain either (i) an "Internet Content Provider" license issued by the MIIT or its local bureau (ICP License), if the services in question are regarded as "commercial Internet information services"; or (2) an ICP filing with the local MIIT bureau (ICP Filing), if the services in question are regarded to as "non-commercial services". The former refers to "information, web page creation and other services provided to Internet users via the Internet for consideration", while the latter refers to "services that provide information of a publicly available and accessible nature to Internet users via the Internet for gratis". Operators providing commercial Internet information services shall obtain specific approvals before providing BBS services and the operators providing non-commercial Internet information services shall obtain specific filings before providing BBS services. If an Internet information service provider fails to obtain an ICP license or ICP filing or fails to obtain a specific approval or filing for its BBS services, the relevant local branch of the MIIT may levy fines, confiscate its income or even block its website. The concepts of commercial and non-commercial Internet information services are stipulated generally and hence leave much room for interpretation by the local MIIT bureau in its approval practice. According to the practice of Shanghai MIIT branch which applies the ICP filing system to online e-commerce activity (rather than ICP license), Shanghai Ouku has made ICP filings for its website. Shanghai Ouku has not obtained specific filings for BBS on its website.

The Internet Measures further specify that Internet information services regarding, among others, news, publication, education, medical and health care, pharmacy and medical appliances are required to be examined, approved and regulated by the relevant authorities. Internet content providers are prohibited from providing services beyond that included in the scope of their business license or other required licenses or permits. Furthermore, the Internet Measures clearly specify a list of prohibited content. Internet content providers must monitor and control the information posted on their websites. If any prohibited content is found, they must remove the offending content immediately, keep a record and report to the relevant authorities.

Regulations Relating to Privacy Protection

As an Internet content provider, we are subject to regulations relating to protection of privacy. Under the Internet Measures, Internet content providers are prohibited from producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes the lawful rights and interests of others. Internet content providers that violate the prohibition may face criminal charges or administrative sanctions by PRC security authorities. In addition, relevant authorities may suspend their services, revoke their licenses or temporarily suspend or close down their websites. Furthermore, under the Administration of Internet Bulletin Board Services issued by the Ministry of Information Industry in November 2000, Internet content providers that provide electronic bulletin board services must keep users' personal information confidential and are prohibited from disclosing such personal information to any third party without the consent of the users, unless otherwise required by law. The regulation further authorizes relevant telecommunication authorities to order Internet content providers to rectify any unauthorized disclosure. Internet content providers could be subject to legal liabilities if unauthorized disclosure causes damages or losses to Internet users. However, the PRC government retains the power and authority to order Internet content providers to

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provide the personal information of Internet users if the users post any prohibited content or engage in illegal activities through the Internet. We believe that we are currently in compliance with these regulations in all material aspects.

Regulations on Intellectual Property Rights

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

Patent

The National People's Congress adopted the Patent Law in 1984, which was subsequently amended in 1992, 2000 and 2008. The purpose of the Patent Law is to protect lawful interests of patent holders, encourage invention, foster applications of invention, enhance innovative capabilities and promote the development of science and technology. To be patentable, invention or utility models must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, substances obtained by means of nuclear transformation or a design which has major marking effect on the patterns or colors of graphic print products or a combination of both patterns and colors. The Patent Office under the State Intellectual Property Office is responsible for administering patents in the PRC. A patent is valid for a term of 20 years in the case of an invention and a term of ten years in the case of utility models and designs, each starting from application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of patent rights.

China follows a "first to file" principle for patents. When more than one person files a patent application for the same invention, the patent will be granted to the person who first filed the application. In addition, the PRC requires absolute novelty in order for an invention to be patentable. Pursuant to this requirement, generally, with limited exceptions, any prior written or oral publication in or outside the PRC, demonstration or use in the PRC before the patent application filing prevents an invention from being patented in the PRC. Patents issued in the PRC are not enforceable in Hong Kong, Taiwan or Macau, each of which has an independent patent system. The fact that a patent application is pending is no guarantee that a patent will be granted and, even if granted, the scope of a patent may not be as broad as that of the initial application.

When a patent infringement dispute arises, the patent holder or an interested party who believes the patent is being infringed may either file a civil lawsuit or file a complaint with the relevant authorities in charge of the patent administration. A PRC court may grant the patent holder's or the interested party's request for a preliminary injunction before the legal proceeding. Pursuant to the Patent Law, an infringer shall be subject to various civil liabilities, which include ceasing the infringement and compensating the actual loss suffered by patent owners. If it is difficult to calculate the actual loss suffered by the patent owner, the illegal income received by the infringer as a result of the infringement or if it is difficult to calculate the illegal income, a reasonable amount calculated with reference to the patent royalties shall be deemed as the actual loss. The compensation amount shall also include the reasonable expenses incurred by the patent owner for stopping the infringement. If damages cannot be established by any of the above methods the court can decide the amount of the actual loss up to RMB1,000,000. In addition, an infringer who counterfeits patents of third parties shall be subject to administrative penalties or criminal liabilities if applicable. Typically, a patent holder in the PRC has the burden of proving that the patent is being infringed. However, if the holder of a production process patent alleges infringement of such patent, the alleged infringing party which produces the same kind of products has the burden of proving that there has been no infringement.

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We do not have registered patents in China.

Copyright

Copyrights are protected by the Copyright Law of the PRC which was promulgated in 1990 and amended in 2001 and February 2010 and the Regulation for the Implementation of the Copyright Law of the PRC which came into effect in September 2002 and was amended in January 2011. The amended Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by local Copyright Bureaus and the China Copyright Protection Center. The amended Copyright Law also requires registration of a copyright pledge.

Copyrights shall vest on the authors, unless otherwise provided under the laws. If a work constitutes "work for hire", the employer, instead of the employee, is considered the legal author of the work and will enjoy the copyrights of such "work for hire" other than rights of authorship. "Works for hire" include, (1) drawings of engineering designs and product designs, maps, computer software and other categories, which are created mainly with the materials and technical resources of the legal entity or organization with responsibilities being assumed by such legal entity or organization; (2) those works the copyrights of which are, in accordance with the laws or administrative regulations or under contractual arrangements, enjoyed by a legal entity or organization. The actual creator may enjoy the rights of authorship of such "work for hire." A copyright owner may transfer its copyrights to others or permit others to use its copyrighted works. Use of copyrighted works of others generally requires a licensing contract with the copyright owner. The protection period for copyrights in the PRC varies, with 50 years as the minimum. The protection period for a "work for hire" where a legal entity or organization owns the copyright (except for the right of authorship) is 50 years, expiring on December 31 of the fiftieth year after the first publication of such work.

In China, holders of computer software copyrights enjoy protections under the Copyright Law. Various regulations relating to the protection of software copyrights in China have promulgated. Under these regulations, computer software that is independently developed and exists in a physical form is protected, and software copyright owners may license or transfer their software copyrights to others. Registration of software copyrights, exclusive licensing and transfer contracts with the Copyright Protection Center of China or its local branches is encouraged. Such registration is not mandatory under Chinese law, but can enhance the protections available to the registered copyrights holders.

Where copyright or a copyright-related right is infringed, the infringer shall make compensation according to the actual losses incurred by the right owner. Where the actual losses are difficult to calculate, the compensation may be paid according to the illegal incomes obtained by the infringer. The compensation amount shall also include the reasonable expenses incurred by the right owner for preventing the infringement. Where neither the actual losses incurred by the right owner nor the illegal gains obtained by the infringer is determinable, the court may render a ruling to award compensation in an amount not more than RMB500,000.

We do not have registered computer software copyrights in China.

Trademark

Trademarks are protected by the PRC Trademark Law adopted in 1982 and subsequently amended in 1993 and 2001 as well as the Implementation Regulation of the PRC Trademark Law adopted by the State Council in 2002. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten year term. Trademark license agreements must be filed with the Trademark Office for record. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or

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similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. Trademark license agreements must be filed with the Trademark Office or its regional offices.

Under the Trademark Law, any of the following acts is deemed as an infringement to the right to exclusive use of a registered trademark: (i) using a trademark identical with or similar to the registered trademark of the same kind of commodities or similar commodities without a license from the registrant of that trademark; (ii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iii) forging, manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization; (iv) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; or (v) causing other damage to the right to exclusive use of a registered trademark of another person. In the event of any of the foregoing acts, the infringer would be imposed a fine, ordered to stop the infringement acts immediately and give the infringed party compensation. The compensation shall equal to the amount of the benefits gained by the infringing party or of the losses suffered by the infringed party during the existence of, and caused by, the infringement, including any reasonable expenses incurred by the infringed party in stopping the infringement. If it is difficult to determine the amount of the benefits gained by the infringing party or the losses suffered by the infringed party, the court may render a judgment awarding damages not more than RMB500,000.

Selling goods without awareness of such goods' infringement of the exclusive right to use a trademark shall be exempted from liability for compensation insofar as the seller is able to prove that the goods were lawfully obtained and can indicate the supplier's identity.

All of our logos are registered trademarks in China, including *Lightinthebox* and *ouku*.

Domain Names

In September 2002, China Internet Network Information Center, or the CNNIC, issued the Implementing Rules for Domain Name Registration setting forth detailed rules for registration of domain names. On November 5, 2004, Ministry of Industry and Information Technology of the People's Republic of China, or the MIIT, promulgated the Measures for Administration of Domain Names for the Chinese Internet, or Domain Name Measures. The Domain Name Measures regulate the registration of domain names, such as the first tier domain name ".cn." In February 2006, CNNIC issued the Measures on Domain Name Disputes Resolution and its implementing rules, pursuant to which CNNIC can authorize a domain name dispute resolution institution to decide disputes. These regulations require owners of Internet domain names to register their domain names with qualified domain name registrars approved by the MIIT and obtain registration certificates from such registration agencies. A registered domain name owner has the exclusive right to use its domain name. Unregistered domain names may not receive proper legal protections and may be misappropriated by unauthorized third parties.

We have registered domain names for all of our websites, including *www.lightinthebox.com*, *www.ouku.com* and *www.miniinthebox.com*.

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Regulations Relating to Foreign Currency Exchange

Foreign Exchange Relating to Export Businesses

Foreign exchange activities relating to import and export trading in China are primarily governed by the following regulations:

- the Foreign Currency Administration Rules (2008), or the Exchange Rules;
- the Administrative Measures for the Verification and Cancellation of Export Proceeds in Foreign Exchange and its implementing rules (2003); and
- the Administration Rules for the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules.

These foreign exchange regulations, along with certain other ancillary notices issued by the SAFE, lay out the legal framework for the administration of foreign exchange for the export of commodities in international trade. Under these foreign exchange regulations, the exporter, in order to receive the proceeds of the export in foreign exchange and settle the same into Renminbi, must apply with the local branch of the SAFE for a certificate of verification and cancellation of export proceeds in foreign exchange unless otherwise provided under the applicable laws and regulations The exporter must also apply with the competent tax authorities for a tax exemption or refund where a tax exemption refund is applicable.

We source all of our products from suppliers in the PRC. However, we use sourcing agents located in Hong Kong to settle payments and delivery with many of our suppliers. Our payments are made directly to such agents and thus are not subject to the jurisdictions of PRC foreign exchange laws and regulations. These agents should remit the purchase price of the commodities in foreign exchange to the PRC suppliers. Following receipt of the payment, the PRC suppliers shall go through the relevant procedures with the local branch of the SAFE as mentioned above to settle the foreign exchange into Renminbi. However, we cannot assure you that all our sourcing agents or the PRC suppliers will fully comply with these foreign exchange laws and regulations.

Foreign Exchange Relating to Foreign Invested Enterprises

Under current Chinese regulations, Renminbi are freely convertible for trade and service-related transactions denominated in foreign currency, but not for direct investment, loans or investments in securities outside China without the prior approval of the SAFE or its local branches.

Foreign-invested enterprises in China may execute foreign exchange transactions without the SAFE approval for trade and service-related transactions denominated in foreign currency by providing commercial documents evidencing these transactions. They may also retain foreign currency, subject to a cap approved by the SAFE, to satisfy foreign currency-denominated liabilities or to pay dividends. Foreign exchange transactions related to direct investment, loans and investment in securities outside China are still subject to limitations and require approval from the SAFE.

Furthermore, on August 29, 2008, the SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or Circular 142. Pursuant to Circular 142, Renminbi capital derived from the settlement of a foreign-invested enterprise's foreign currency capital must be used within the business scope approved by the applicable government authority and cannot be used for domestic equity investment, unless specifically provided for otherwise. Documents certifying the purposes of the settlement of foreign currency capital into Renminbi, including a business contract, must also be submitted for the settlement of such foreign currency. In addition, foreign-invested enterprises may not change how they use such capital without the SAFE's approval and may not in any case use such capital to repay Renminbi loans if they have not used the proceeds of such loans.

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Violation of Circular 142 can result in severe penalties, including heavy fines as set forth in the Foreign Exchange Administration Rules. Furthermore, the SAFE promulgated a circular on November 19, 2010, or Circular 59, which tightens the regulation over settlement of net proceeds from overseas offerings like this offering and requires that the settlement of net proceeds must be consistent with the description in the prospectus for the offering. Circular 142 and Circular 59 may significantly limit our ability to transfer the net proceeds from this offering to our PRC subsidiary and convert the net proceeds into Renminbi, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Regulations on Dividend Distributions

The principal regulations governing dividend distributions of wholly foreign owned companies include:

- the Companies Law (2005);
- the Wholly Foreign Owned Enterprise Law (2000); and
- the Wholly Foreign Owned Enterprise Law Implementing Rules (2001).

Under these regulations, wholly foreign owned companies in China may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign owned companies are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds, until the aggregate amount of these funds reaches 50% of the company's registered capital. Wholly foreign owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Regulations on Tax

PRC Enterprise Income Tax

The PRC enterprise income tax is calculated based on the taxable income determined under the applicable EIT Law and its implementation rules. On March 16, 2007, the National People's Congress of China enacted the New EIT Law, which became effective on January 1, 2008. On December 6, 2007, the State Council promulgated the implementation rules to the New EIT Law, which also became effective on January 1, 2008. On December 26, 2007, the State Council issued the Notice on Implementation of Enterprise Income Tax Transition Preferential Policy under the New EIT Law, or the Transition Preferential Policy Circular, which became effective simultaneously with the New EIT Law. The New EIT Law imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises and domestic enterprises, unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatments available under the old EIT Law and regulations. Under the New EIT Law and the Transition Preferential Policy Circular, qualified enterprises established before March 16, 2007 that already enjoyed preferential tax treatments will continue to enjoy them (i) in the case of preferential tax rates, for a maximum of five years starting from January 1, 2008 and during the five-year period, the tax rate will gradually increase from their current preferential tax rate to 25%, or (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term. For enterprises that are not profitable enough to enjoy the preferential tax exemption or reduction referred to in (ii) above, the preferential duration shall commence from 2008.

Prior to the effectiveness of the New EIT Law on January 1, 2008, domestic companies were generally subject to an enterprise income tax at a statutory rate of 33%.

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The New EIT Law and its implementation rules permit "high and new technology enterprises strongly supported by the state" holding independent ownership of core intellectual property and meeting certain other criteria, as stipulated in the implementation rules and other regulations, to enjoy a reduced enterprise income tax rate of 15%. The State Administration of Taxation, the Ministry of Science and Technology and the Ministry of Finance jointly issued the Administrative Rules for the Certification of High and New Technology Enterprises delineating the specific criteria and procedures for the certification of "high and new technology enterprises" on April 14, 2008. The New EIT Law and its implementation rules also provide that "software enterprises" enjoy a two-year income tax exemption starting from the first profit making year, followed by a reduced tax rate of 12.5% for the subsequent three years.

Uncertainties exist with respect to how the New EIT Law applies to our tax residency status. Under the New EIT Law, an enterprise established outside of the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise," which means that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes, although the dividends paid to one resident enterprise from another may qualify as "tax-exempt income." Though the implementation rules of the New EIT Law define "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise," the only detailed guidance currently available for the definition of "de facto management body" as well as the determination of offshore incorporated PRC tax resident and its administration are set forth in Circular 82 and Bulletin No. 45 issued by the SAT, which provide guidance on the administration as well as determination of the tax residency status of Chinese-controlled offshore-incorporated enterprise, defined as an enterprise that is incorporated under the law of a foreign country or territory and that has a PRC company or PRC corporate group as its primary controlling shareholder. Although we do not have a PRC enterprise or enterprise group as our primary controlling shareholder and are therefore not a Chinese-controlled offshore incorporated enterprise within the meaning of Circular 82, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in Circular 82 to evaluate the tax residency status of our legal entities organized outside the PRC.

According to Circular 82, a Chinese-controlled offshore-incorporated enterprise will be regarded as a PRC tax resident by virtue of having "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions set forth in Circular 82 are met:

- the primary location of the day-to-day operational management is in the PRC;
- decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC;
- the enterprise's primary assets, accounting books and records, company seals and board and shareholder resolutions are located or maintained in the PRC; and
- 50% or more of voting board members or senior executives habitually reside in the PRC.

In addition, Bulletin No. 45 provided clarification on the resident status determination, post-determination administration, and competent tax authorities. It also specifies that when provided with a copy of PRC resident determination certificate from a resident Chinese-controlled offshore-incorporated enterprise, the payer should not withhold 10% income tax when paying certain PRC-sourced income such as dividends, interest and royalties to the Chinese-controlled offshore-incorporated enterprise.

Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

We do not believe that we meet all of the conditions above. We are a company incorporated outside the PRC. As a holding company, our key assets and records, including the resolutions of our board of directors and the resolutions of their respective shareholders, are located and maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC "resident enterprise" by the PRC tax authorities. Therefore, we believe that we should not be treated as a "resident enterprise" for PRC tax purposes if the criteria for "de facto management body" as set forth in the Circular 82 were deemed applicable to us. However, as the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities, we will continue to monitor our tax status. See "Risk Factors Risks Related to Doing Business in China We may be deemed a PRC resident enterprise under the New EIT Law and be subject to PRC taxation on our income."

Although we believe we are not a PRC resident enterprise for enterprise income tax purposes, substantial uncertainty regarding our status still exists. In the event that our company or our Hong Kong subsidiary is considered to be a PRC resident enterprise, (1) our company or our Hong Kong subsidiary would be subject to the PRC enterprise income tax at the rate of 25% on worldwide income; and (2) dividend income that our Hong Kong subsidiary receives from our PRC subsidiary, however, may be exempt from the PRC withholding tax since such income is exempted under the New EIT Law for PRC resident enterprise recipients. See "Risk Factors Risks Related to Doing Business in China We may rely on dividends and other cash distributions on equity paid by our subsidiaries to fund any cash and financing requirements we may have and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business."

Under Notice on Strengthening the Management of Enterprise Income Tax Collection of Proceeds from Equity Transfers by Non-resident Enterprises issued by the SAT, or Circular 698, if 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 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 PRC competent tax authority of the PRC resident enterprise this Indirect Transfer within 30 days from the date when the equity transfer agreement was made. 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 withholding tax at a rate of up to 10%. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. Circular 698 is retroactively effective on January 1, 2008. There is uncertainty as to the application of Circular 698. Circular 698 may be determined by the tax authorities to be applicable to our private equity financing transactions where non-resident investors were involved, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-resident investors in such transactions may become at risk of being taxed under Circular 698 and we may be required to expend valuable resources to comply with Circular 698 or to establish that we should not be taxed under the general anti-avoidance rule of the New EIT Law, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors' investments in us. See "Risk Factors Risks Related to Doing Business in China We may be deemed a PRC resident enterprise under the New EIT Law and be subject to PRC taxation on our income."

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Value Added Tax

Our PRC subsidiary, VIEs and Shanghai Ouku are subject to value added tax, or VAT, at a rate of 17% on revenue from sale of products in the PRC and is entitled to a refund for VAT already paid or borne on the goods purchased by it and utilized in the production of goods that have generated gross sales proceeds.

Dividends Withholding Tax

Under the old EIT Law effective prior to January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises would be exempt from PRC withholding tax. We are a Cayman Islands holding company and substantially all of our income may come from dividends we receive from our subsidiary, Light In The Box Limited, a Hong Kong registered company and its PRC subsidiary and VIEs. Approximately 5.6% of our net revenues in 2010 was generated from sales via our websites and third-party online marketplace platforms targeting consumers in China. Pursuant to the New EIT Law and its implementation rules, dividends generated after January 1, 2008 and distributed to us by Lanting Jishi, our PRC subsidiary directly held by Light In The Box Limited, may be subject to withholding tax at a rate of up to 10%. Pursuant to the Double Taxation Avoidance Arrangement, dividends that Light in The Box Limited receives from Lanting Jishi may be subject to withholding tax at a rate of 5%, provided that the conditions and requirements under the Double Tax Avoidance Arrangement have been satisfied, and subject to the assessment and approval of our relevant local tax authority.

Regulations on Offshore Investment by PRC Residents

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or Circular 75, issued on October 21, 2005, and its relevant implementing rules, (i) a PRC citizen residing in the PRC or non-PRC citizen primarily residing in the PRC due to his or her economic tie to the PRC, who is referred to as a "PRC resident" in Circular 75, must register with the local branch of the SAFE before it establishes or controls an overseas special purpose company, for the purpose of overseas equity financing; (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an overseas special purpose company, or engages in overseas financing after contributing assets or equity interests into an special purpose company, such PRC resident shall register his or her interest in the special purpose company and the change thereof with the local branch of the SAFE; and (iii) when the special purpose company undergoes a material event outside of China not involving inbound investments, such as any new financing, or incorporating or controlling offshore entities, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of the SAFE. PRC residents who are shareholders of special purpose companies established before November 1, 2005 were required to register with the local branch of the SAFE before March 31, 2006.

Under Circular 75, failure to comply with the registration procedures above may result in penalties, including imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the overseas special purpose company. See "Risk Factors Risks Related to Doing Business in China PRC regulations relating to the establishment of offshore special purpose companies by PRC domestic residents and registration requirements for employee stock ownership plans or share option plans may subject our PRC resident beneficial owners or the plan participants to personal liability, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us."

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In addition, PRC subsidiaries of an offshore special purpose company are required to coordinate and supervise the filing of foreign exchange registrations by the offshore holding company's shareholders who are PRC residents in a timely manner. If these shareholders fail to comply, the PRC subsidiaries of the offshore parent company may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company and the offshore parent company may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Moreover, failure to comply with the above foreign exchange registration requirements could result in liabilities for such PRC subsidiaries under PRC laws for evasion of foreign exchange restrictions, including (i) requirement by the SAFE to return the foreign exchange remitted overseas within a period specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed evasive and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive. Furthermore, the persons-in-charge and other persons at such PRC subsidiaries who are held directly liable for the violations may be subject to administrative sanctions.

Regulations on Employee Stock Option Plans

In December 2006, the People's Bank of China promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, setting forth the respective requirements for foreign exchange transactions by individuals (both PRC and non-PRC citizens) under either the current account and the capital account. In January 2007, the SAFE issued implementing rules for the Administrative Measures of Foreign Exchange Matters for Individuals, which, among other things, specified the approval requirements for certain capital account transactions, such as a PRC citizen's participation in employee stock ownership plans or share option plans of overseas listed companies. On March 28, 2007, the SAFE promulgated the Stock Option Rules. In February 2012, the SAFE promulgated the Stock Option Notice. This Stock Option Notice replaced the previous Stock Option Rules. The Stock Option Notice simplifies the requirements and procedures for the registration of stock incentive plan participant, especially in respect of the required application documents and the absence of strict requirements on offshore and onshore custodian banks, as were stipulated in the Stock Option Rules. The purpose of the Stock Option Notice is to regulate the foreign exchange administration of PRC resident individuals who participate in employee stock incentive plans of overseas listed companies.

According to the Stock Option Notice, if a PRC resident individual participates in stock incentive plans of an overseas listed company, which includes employee stock ownership plan share option plan and other incentive plans permitted by relevant laws and regulations, a PRC domestic qualified agent or the PRC subsidiary of such overseas listed company must, among other things, file, on behalf of such resident, an application with the SAFE or its local counterpart to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with stock holding or share option exercises as PRC resident individuals may not directly use overseas funds to purchase shares or exercise share options. With the approval from the SAFE or its local counterpart, the PRC domestic qualified agent or the PRC subsidiary shall open a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with the stock purchase or option exercise, any returned principal or profits upon sales of shares, any dividends issued on the stock and any other income or expenditures approved by the SAFE or its local counterpart. In addition, within three months after any substantial changes to any such stock incentive plan, including, for example, any changes due to a merger or acquisition or changes to the domestic or overseas custodian agent, the domestic agent must update the registration with SAFE.

Under the Foreign Currency Administration Rules (1996), as amended in 2008, the foreign exchange proceeds of domestic entities and individuals can be remitted into China or deposited abroad, subject to the terms and conditions to be issued by the SAFE. However, to date, the SAFE has not issued any implementing rules in respect of depositing the foreign exchange proceeds abroad.

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Currently, the foreign exchange proceeds from the sales of shares can be converted into Renminbi or transferred to such individuals' foreign exchange savings account after the proceeds have been remitted back to the special foreign exchange account opened at the PRC domestic bank. If share options are exercised on a noncash basis, the PRC domestic individuals are required to remit the proceeds to special foreign exchange accounts.

Furthermore, a notice concerning the individual income tax on earnings from employee stock options jointly issued by the Ministry of Finance and the SAT, and its implementing rules, provide that domestic companies that implement employee share option programs shall (1) file the employee share option plans and other relevant documents to the local tax authorities having jurisdiction over them before implementing such employee share option plans; (2) file share option exercise notices and other relevant documents with the local tax authorities having jurisdiction over them before exercise by the employees of the share options and clarify whether the shares issuable under the employee share options mentioned in the notice are the shares of publicly listed companies; and (3) withhold taxes from the PRC employees in connection with the PRC individual income tax.

On October 27, 2008, our board of directors adopted the Amended and Reinstated 2008 Share Incentive Plan, pursuant to which we may issue employee stock options to our qualified employees and directors on a regular basis. In the application documents submitted to the Shenzhen office of the SAFE in connection with the registration of the overseas investment in our company by our PRC resident shareholders under Circular 75, we indicated that 6.08% of the share capital of our company are reserved for employee stock options and service incentive shares. We and our PRC employees who have participated in the Amended and Reinstated 2008 Share Incentive Plan will be subject to the Stock Option Rules when our company becomes an overseas listed company. However, we cannot assure you that our PRC individual beneficiary owners and the stock options holders can successfully register with the SAFE in full compliance with Stock Option Rules. See "Risk Factors Risks Related to Doing Business in China PRC regulations relating to the establishment of offshore special purpose companies by PRC domestic residents and registration requirements for employee stock ownership plans or share option plans may subject our PRC resident beneficial owners or the plan participants to personal liability, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us."

Labor Laws and Social Insurance

Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with full-time employees in order to establish an employment relationship. All employers must compensate their employees equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with appropriate workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result fines or other administrative sanctions or, in the case of serious violations, criminal liability.

In addition, employers in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

Regulations on Overseas Listing

In 2006, six PRC regulatory agencies jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules. This rule requires that, if an overseas company established or controlled by PRC domestic companies or citizens intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC domestic

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companies or citizens, such acquisition must be submitted to the Ministry of Commerce, rather than local regulators, for approval. In addition, this regulation requires that an overseas special purpose vehicle, or SPV, formed for overseas listing purposes and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange.

While the application of the new regulations remain unclear, based on their understanding of current PRC laws, regulations and new procedures announced on September 21, 2006, our PRC counsel, TransAsia Lawyers, has advised us that:

- the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this regulation;

- we established our PRC subsidiary by means of direct investment other than by merger or acquisition of the equity or assets of PRC domestic companies; and

- no provision in this regulation clearly classified contractual arrangements as a type of transaction subject to its regulation.

See "Risk Factors Risks Related to Doing Business in China Any requirement to obtain prior approval required under the M&A Rules and/or any other regulations promulgated by relevant PRC regulatory agencies in the future could delay this offering and failure to obtain this approval, if required, could have a material adverse effect on our business, financial condition and results of operations as well as the trading price of the ADSs and could also create uncertainties for this offering."

Regulations on Concentration in Merger and Acquisition Transactions

The M&A Rules also establish procedures and requirements that could make some merger and acquisitions of Chinese companies by foreign investors more time-consuming and complex. These rules require, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor will take control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings issued by the State Council on August 3, 2008 are triggered.

According to the Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises issued by the Ministry of Commerce in August 2011, mergers and acquisitions by foreign investors involved in an industry related to national security are subject to strict review by the Ministry of Commerce. These rules also prohibit any transactions attempting to bypass such security review, including controlling entities through contractual arrangements.

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MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information relating to our directors and executive officers upon closing of this offering. The business address of each of our directors and executive officers is LightInTheBox Holding Co., Ltd., Building 2, Area D, Floor 1-2, Diantong Times Square, No. 7 Jiuxianqiao North Road, Chaoyang District, Beijing 100020, People's Republic of China.

Name	Age	Position/Title
Quji (Alan) GUO	37	Chairman of the board and chief executive officer
Xin (Kevin) WEN	33	Director and co-president
Liang ZHANG	36	Director and co-president
Jun LIU	40	Senior vice president of operations
Jin-Choon (Richard) LIM	55	Director
Bo FENG	43	Director
Ye YUAN	33	Director
Sean SHAO	56	Independent director
Kai-Fu LEE	51	Independent director
Zheng (Richard) XUE	42	Chief financial officer
Liang LU	38	Chief technology officer

Quji (Alan) GUO is our co-founder, chairman and chief executive officer who joined our company in 2008. Prior to joining our company, Mr. GUO served as the chief strategist and the special assistant to the president of Google China from 2005 to 2008, where he was instrumental for building Google's China operation and led many of its strategic product and business initiatives, including the launch of Google Music, the first advertiser-sponsored free music download service in China, as well as certain strategic investments. Prior to joining Google China, he was a product manager with Google in the United States. In 2004, he worked for the corporate business development team at Amazon participating in the acquisition of Joyo.com, the predecessor of Amazon's China operation. From 2001 to 2003, he was a software design engineer at the headquarters of Microsoft Corporation, participating in the development of MSN, IE and Windows. Mr. GUO received his bachelor's degree from the University of Science and Technology of China in 1999, his master's degree in electrical engineering from the University of Illinois at Urbana-Champaign in 2001, and his MBA degree from Stanford University in 2005. Mr. GUO is a holder of a number of patents in software and Internet technologies in the United States.

Xin (Kevin) WEN is a co-founder of our company and has served as our director and co-president, responsible for marketing, product management and user experience since 2007. Mr. WEN was also responsible for our technology development from 2007 to 2010. From 2005 to 2007, Mr. WEN was a vice president of product and business development and the board secretary of Bokee.com, a blog service provider in China, where he built the company's research and development team and user experience team. In 2003, Mr. WEN co-founded Blogdriver.com, one of the first blog service providers in China, and served as its chief executive officer from 2003 to 2004. Mr. WEN studied at University of Texas at Austin.

Liang ZHANG is a co-founder of our company and has served as our director and co-president responsible for sourcing and supply chain since 2007. Mr. ZHANG was also responsible for our operations from 2007 to 2009. From 2001 to 2006, Mr. ZHANG founded and served as the chief executive officer of Zhongrun Ltd., a supplier for large Chinese online retail companies such as Dangdang.com and Amazon China, including its predecessor Joyo.com. He was a marketing manager at Netease.com Inc. from 1999 and 2001 and a program manager at Samsung Electronics from 1998 to

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1999. Mr. ZHANG received his bachelor's degree in business management from Nankai University in 1998.

Jun LIU is our senior vice president of operations who joined our company in 2009. From 2005 to 2009, Mr. LIU founded and was the chief executive officer of Feloo.com, an education information website in China. From 2002 to 2005, Mr. LIU held various senior management positions, including as vice president of marketing and operations, in the predecessor of Amazon China, Joyo.com. From 2000 to 2001, Mr. LIU was a senior software development manager at Dangdang.com. From 1997 to 1999 Mr. LIU was a software development manager at Bertelsmann China. Mr. LIU received his bachelor's degree in environmental science from East China Normal University in 1994 and his MBA degree from Tongji University in 2005.

Jin-Choon (Richard) LIM has been our director since 2009. Mr. LIM is a founder and the managing director of GSR Ventures. Prior to founding GSR Ventures in 2005, Mr. LIM was involved in founding three venture-backed companies in the United States. From 1988 to 1992, he was an executive of Lotus Development Corporation and from 1983 to 1986, was an executive of the National University Hospital of Singapore. Mr. LIM received his bachelor's degree from National University of Singapore in 1981 and his MBA degree from Stanford University in 1988. Mr. LIM brings to the board his in-depth knowledge of international capital markets and experience leading multinational corporations.

Bo FENG has been our director since 2008. Mr. FENG is currently a partner at Ceyuan Ventures, which he has co-founded in 2004. Prior to that, he was the founder and had been a partner of Chengwei Ventures since 1999. Mr. Feng also served as the chief representative of ChinaVest since 1997 and vice president of Robertson, Stephens & Company since 1994. Mr. FENG studied at the College of Marin from 1988 to 1991. Mr. FENG brings to the board his experience with fast-growing companies in China in various industries and his knowledge of Chinese regulation.

Ye YUAN has been our director since 2008. Mr. YUAN joined Ceyuan Ventures in 2005 and has been a partner since 2009. Mr. YUAN currently serves as a director of Letao Inc., China Medonline Inc. and Wisdom Alliance Limited. From 2003 to 2005, Mr. YUAN worked at the audit department of KPMG (Beijing) Accounting LLP and Latitude Capital. Mr. YUAN received his bachelor's degree in finance from University of International Business and Economics in China in 2002 and his master's degree from the University of Windsor in Canada in 2003. Mr. YUAN brings to the board a deep understanding of finance and accounting.

Sean SHAO has served as our independent director since June 5, 2013. Mr. SHAO currently serves as (i) independent director and chairman of the audit committee of: UTStarcom Holdings Corp., a provider of broadband equipment and solutions listed on the NASDAQ, since October 2012; Xueda Education Group, a China-based personalized tutoring services company listed on the NYSE, since March 2010; Yongye International, Inc., a China-based agricultural company listed on the NASDAQ, since April 2009 and China Biologic Products, Inc., a biopharmaceutical company listed on the NASDAQ, since July 2008; (ii) independent director and chairman of the compensation committee of AsiaInfo-Linkage, Inc., a Chinese telecom software solutions provider listed on the NASDAQ, since July 2010, and (iii) independent director and chairman of the nominating committee of Agria Corporation, a Chinese agricultural company listed on the NYSE, since November 2008. Mr. SHAO served as the chief financial officer of Trina Solar Limited from 2006 to 2008. In addition, he served from 2004 to 2006 as the chief financial officer of ChinaEdu Corporation, an educational service provider, and of Watchdata Technologies Ltd., a Chinese security software company. Prior to that, Mr. SHAO worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP, formerly known as Deloitte Touche Tohmatsu CPA Ltd. Mr. SHAO received his master's degree in health care administration from the University of California at Los Angeles in 1988 and his bachelor's degree in art from East China Normal University in 1982. Mr. SHAO is a member of the American Institute of Certified Public Accountants.

Kai-Fu LEE has served as our independent director since June 5, 2013. Dr. LEE has been the chairman of board of directors and chief executive officer of Innovation Works, a business creation platform and investment company focused on internet technology and cloud computing since 2009. Prior to that, Dr. LEE had served as a vice president at Google and the president of Google Greater China from 2005 to 2009. Other than Innovation Works, Dr. LEE also serves on the board of certain private companies. Dr. LEE received a bachelor's degree in computer science from Columbia University in 1983 and a Ph.D. in computer science from Carnegie Mellon University in 1988.

Zheng (Richard) XUE has been our chief financial officer since September 2011. Prior to joining our company, Mr. XUE served as the chief financial officer of ATMU Inc., a leading independent automated teller machine operator in China from September 2010 to September 2011. In 2009, he was an advisor at Asia Alternatives Management LLC. From 2006 to 2009, Mr. XUE was a venture partner of Softbank China & India Holdings, a wholly-owned subsidiary of Softbank Corp and manager of Bodhi Investments LLC, which focuses on early stage and selected pre-IPO opportunities in China. He was the chief financial officer of Target Media Holdings Ltd., a leading out-of-home flat-panel display advertising network operator in China from 2005 to 2006. Mr. XUE served as a director of eLong, Inc., a Nasdaq listed company providing online travel services in China, from March 2004 to March 2005, as its vice president of strategy and business development from April 2004 to March 2005 and as its chief financial officer from December 2003 to March 2004. Prior to that, Mr. XUE worked in investment banking in the United States and China for more than five years. Mr. XUE currently serves as an independent director and a member of the audit committee and compensation committee of Yingli Green Energy Holding Company Limited, a New York Stock Exchange listed Chinese manufacturer of vertically integrated photovoltaic products. Mr. XUE studied applied physics at Tsinghua University in China, received his bachelor of science degree in applied physics from University of Illinois in 1993 and his MBA degree from the University of Chicago in 1997.

Liang LU has been our chief technology officer since 2011. From 2010 to 2011, Mr. LU served as the general manager of Wasu Taobao Digital Technology Ltd., a joint venture between Taobao.com, China's largest online retail platform, and Wasu Media Internet Ltd. He was a senior director of Taobao Ltd. from 2007 to 2010 and was the chief technology officer of Bokee Ltd., a blog service provider in China, from 2004 to 2007. Mr. LU received his bachelor's degree from University of Science and Technology of China in 1996, his master's degree in physics from China Academy of Science in 2000 and his Ph.D. degree in physics from Southern Methodist University in 2005.

Terms of Directors and Executive Officers

Our officers are elected by and serve at the discretion of our board of directors. Our directors are not subject to a term of office and hold office until such time as they are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (1) dies or becomes bankrupt or makes any arrangement or composition with his creditors generally; or (2) is found a lunatic or becomes of unsound mind. We do not have service contracts with any of our directors that would provide our directors with benefits upon their termination.

Board of Directors

Our board of directors consists of eight directors.

Pursuant to our third amended and restated memorandum and articles of association and second amended and restated shareholders agreement entered into in connection with the issuance of our Series C convertible redeemable preferred shares, we have provided rights to certain of our shareholders to appoint directors to our board of directors. Our ordinary shareholders have the right to appoint three of our directors, one of which must be Mr. Quji (Alan) GUO. Our Series A convertible preferred shareholders, Ceyuan Entities, have the right to appoint two of our directors, our majority Series B convertible preferred shareholder, GSR Ventures III, L.P., has the right to appoint one director and our majority Series C convertible redeemable preferred shareholder, Trustbridge Partners III, L.P., has the right to appoint one director. Our third amended and restated memorandum and articles of association and second amended and restated shareholders agreement also stipulates that one other director shall be appointed which should initially be Mr. Jun LIU. However, such rights granted to our existing shareholders to appoint directors will terminate upon the closing of this offering.

Duties of Directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. A shareholder has the right to seek damages if a duty owed by our directors is breached.

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

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including registering such shares in our share register.

Board Committees

Our board of directors will establish an audit committee, a compensation committee and a corporate governance and nominating committee upon the completion of this offering. We have adopted a charter for each of these committees. Each committee's members and functions are as follows.

Audit Committee

Our audit committee will initially consist of Mr. Sean SHAO, Dr. Kai-Fu LEE and Mr. Ye YUAN. Mr. Sean SHAO will be the chairman of our audit committee and satisfies the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. Each of Mr. SHAO and Dr. LEE satisfies the requirements for an "independent director" within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual 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.

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

- selecting our independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by our independent registered public accounting firm;
- reviewing any audit problems or difficulties and management's response with our independent registered public accounting firm;
- reviewing and approving all proposed related-party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and our independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of significant control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately and periodically with management and our internal auditor and independent registered public accounting firm; and
- reporting regularly to the full board of directors.

Compensation Committee

Our compensation committee will initially consist of Dr. Kai-Fu LEE, Mr. Sean SHAO and Mr. Bo FENG. Dr. Kai-Fu LEE will be the chairperson of our compensation committee. Dr. LEE and Mr. SHAO satisfy the requirements for an "independent director" within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual.

The compensation committee is responsible for, among other things:

- approving and overseeing the compensation package for our chief executive officer and chief financial officer;
- reviewing and making recommendations to the board with respect to the compensation of our directors;
- reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer and chief financial officer, evaluating the performance of our chief executive officer and chief financial officer in light of those goals and objectives, and setting the compensation level of our chief executive officer and chief financial officer based on such evaluation; and

reviewing periodically and making recommendations to the board regarding any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

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Corporate Governance and Nominating Committee

Our corporate governance and nominating committee will initially consist of Dr. Kai-Fu LEE, Mr. Sean SHAO and Mr. Jin-Choon (Richard) LIM. Dr. Kai-Fu LEE will be the chairman of our corporate governance and nominating committee. Dr. LEE and Mr. SHAO satisfy the requirements for an "independent director" within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual and will meet the criteria for independence set forth in Rule 10A-3 of the Exchange Act.

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

- identifying and recommending to the board nominees for election or re-election to the board, or for appointment to fill any vacancy;
- conducting annual reviews of the Board's independence, qualifications and experiences in light of the availability of potential Board members; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our internal rules and procedures.

Corporate Governance

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

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

Remuneration and Borrowing

The 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 and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures or other securities whether outright or as security for any debt obligations of our company or of any third party.

Qualification

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

Employment Agreements

We have entered into employment agreements with each of our executive officers. We may terminate their employment for cause. In the event of termination for cause, we have no further obligations or liabilities to such executive officer other than to pay any accrued but unpaid compensation through the date of termination and we are not required to provide any prior notice of such termination. For purposes of these agreements, the term cause means: (a) the executive officer commits willful misconduct or gross negligence in performance of his duties hereunder ("Malfeasance") and fails to correct such Malfeasance within a reasonable period specified by us after we have sent the executive officer a written notice demanding correction within such a period; (b) the executive officer has committed Malfeasance and has caused serious losses and damages to us; (c) the executive officer seriously violates our internal rules and fails to correct such violation within a reasonable period specified by us after we have sent the executive officer a written notice demanding correction within such a period; (d) the executive officer has seriously violated the internal rules of and has caused serious losses and damages to us; (e) the executive officer is convicted by a court or has pleaded guilty of theft, fraud or other criminal offense; or (f) the executive officer seriously breaches his/her duty of loyalty to us or our affiliate under the laws of the Cayman Islands, the PRC or other relevant jurisdictions. We may terminate their employment at any time, without cause, upon 30-day prior written notice to the executive officer. Executive officers may terminate their employment with us at any time, without cause, upon three months written notice to us. If any severance pay is mandated by law, executive officers will be entitled to such severance pay in the amount mandated by law when his or her employment is terminated. However, an executive officer will not be entitled to any severance pay if his/her employment is terminated by him/her for any reason. In addition, we have been advised by our PRC counsel that notwithstanding any provision to the contrary in our employment agreements, we may still be required to make severance payments upon termination without cause to comply with the PRC Labor Law, the labor contract law and other relevant PRC regulations, which entitle employees to severance payments in case of early termination of "de facto employment relationships" by PRC entities without statutory cause regardless of whether there exists a written employment agreement with such entities.

Compensation of Directors and Executive Officers

In 2012, we and our subsidiaries paid an aggregate cash compensation and benefits in kind of approximately $1.2 million to our directors and executive officers as a group. We set aside approximately $0.2 million for pensions, retirement or other benefits for our officers and directors in 2012. For information regarding options and restricted shares granted to officers and directors, see " Share Incentive Plan."

Share Incentive Plan

We adopted our Amended and Reinstated 2008 Share Incentive Plan, or the Plan, on October 27, 2008. The Plan is intended to promote our success and to increase shareholder value by providing an additional means to attract, motivate, retain and reward selected directors, officers, employees and other eligible persons. An aggregate of 4,444,444 ordinary shares were reserved for issuance under the Plan. As of the date of this prospectus, we have granted, after forfeitures, 2,328,942 restricted shares and options to purchase 2,067,500 ordinary shares, with 48,002 ordinary shares available for future grants. As of the date of this prospectus, we have 1,524,538 unvested restricted shares and 654,314 unvested share options outstanding under the Plan. As of the date of this prospectus, options to purchase 2,067,500 ordinary shares of our company were outstanding.

The following table summarizes the share options granted to our employees under the Plan that were outstanding as of the date of this prospectus:

Name	Number of Ordinary Shares Underlying Outstanding Options	Exercise Price ($/Share)	Grant Date	Expiration Date
Our employees	298,750	0.50	December 31, 2008	
	83,000	0.50	March 31, 2009	
	482,000	0.01	June 30, 2009	The earlier of
	29,000	0.50	June 30, 2009	(1) the tenth
	133,000	0.96	June 30, 2009	anniversary of the
	128,000	0.96	September 30, 2009	date of grant, or
	65,000	0.96	December 31, 2009	(2) the fifth
	164,000	0.96	March 31, 2010	anniversary of the
	59,000	0.96	June 30, 2010	completion date of
	54,750	0.96	October 31, 2010	this offering.
	149,750	4.25	July 31, 2011	
	119,000	4.29	October 1, 2011	
	302,250	4.75	May 22, 2013	

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We have historically determined the exercise price of shares granted under the Plan based on a number of factors, such as the type of awards, the length of time in which such employees were with our company, the function of such employees and the price of our preferred share issuances. Certain employees who joined our company near its inception were issued options with lower exercise prices than other employees. In addition, employees who we consider to be our key personnel may also be issued options with a lower exercise price.

In addition, as of the date of this prospectus, a total of 2,328,942 restricted shares were granted to certain of our executive officers and other employees under the Plan.

The following paragraphs summarize the principal terms of the Plan.

Types of Awards and Exercise Prices. The Plan permits the grant of several kinds of awards, including among others, options, restricted shares, restricted share units, share appreciation rights and dividend equivalent rights.

Plan Administration. The Plan administrator is the chairman of our board or, in the case of administration with respect to directors and officers, a committee consisting of at least two non-employee directors designated by the board, and, with respect to consultants and other employees, a committee consisting of one or more directors of the company designated by the board. The plan administrator designates the eligible optionees and determines the award type, award period, grant date, performance requirements and such other provisions and terms not inconsistent with the plan in the award agreement.

Award Agreement. Options and other awards granted under the Plan are and will be evidenced by an award agreement that sets forth the terms, provisions, limitations and performance requirements for each grant.

Eligibility. At the discretion of the board of directors, we may grant awards to employees, officers, directors or consultants of our company.

Term of Awards. The term of each award shall be the term stated in the award agreement, provided that the term of an incentive share option shall be no more than ten years from the date of grant, subject to certain exceptions.

Acceleration of Awards upon Corporate Transaction. The plan administrator may upon or in anticipation of a corporate transaction, accelerate awards or modify the terms of the awards.

Vesting Schedule. The plan administrator may determine the vesting schedule and may provide additional vesting conditions in the award agreement to each optionee.

Amendment and Termination. Our board of directors may at any time by resolutions amend, suspend or terminate the Plan, subject to certain exceptions. Unless earlier terminated by the board or directors, the Plan will terminate on October 26, 2018.

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PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information with respect to beneficial ownership of our ordinary shares as of the date of this prospectus by:

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

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. 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 of this offering, including through the exercise of any option, warrant or other right, the vesting of restricted shares or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

The calculations in the table below assume the number of ordinary shares that will be outstanding immediately after this offering is 97,912,269, which is based upon (i) 36,108,965 ordinary shares outstanding as of the date of this prospectus, (ii) 42,174,290 ordinary shares into which all of our outstanding preferred shares will automatically convert upon completion of this offering, (iii) 2,224,610 ordinary shares into which all of our outstanding convertible notes will automatically convert upon the completion of this offering, (iv) 804,404 vested but not yet legally issued restricted shares as of the date of this prospectus, which will be issued immediately upon the completion of this offering and (v) 16,600,000 ordinary shares in the form of ADSs issued in connection with this offering, assuming the underwriters do not exercise their option to purchase additional ADSs and excludes ordinary shares issuable upon the exercise of outstanding share options, unvested restricted ordinary shares and ordinary shares reserved for issuance under our share incentive plan.

Certain existing shareholders of our company, namely, the Ceyuan Entities, GSR Ventures III, L.P. and Trustbridge Partners III, L.P., and certain of their affiliates have subscribed for, and have been allocated by the underwriters, a total of 1,368,420 ADSs offered in this offering at the initial public offering price and on the same terms as the other ADSs being offered in this offering. These three existing shareholders will in the aggregate own approximately 47.8% of our outstanding shares after the offering, assuming the underwriters do not exercise their option to purchase additional ADSs. Mr. Bo FENG and Mr. Ye YUAN, who are our existing directors, hold certain voting and investment control over the shares held by the Ceyuan Entities. Mr. Jin-Choon (Richard) LIM, who is our existing director, hold certain voting and investment control over the shares held by GSR Ventures III, L.P.

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Name	Ordinary Shares Beneficially Owned Prior to This Offering Number	Percent	Ordinary Shares Being Sold in This Offering Number	Percent	Ordinary Shares Beneficially Owned After This Offering Number	Percent
Directors and Executive Officers:						
Quji (Alan) GUO(1)	10,555,555	13.5%			10,555,555	10.8%
Xin (Kevin) WEN(2)	7,038,889	9.0%			7,038,889	7.2%
Liang ZHANG(3)	7,038,889	9.0%			7,038,889	7.2%
Jun LIU(4)	5,222,221	6.7%			5,222,221	5.3%
Ye YUAN(5)	20,686,277	26.4%			23,095,520	23.6%
Bo FENG(6)	20,686,277	26.4%			23,095,520	23.6%
Jin-Choon (Richard) LIM(7)	16,131,902	20.6%			17,315,669	17.7%
Sean SHAO						
Kai-Fu LEE						
Zheng (Richard) XUE	*	*			*	*
Liang LU	*	*			*	*
All directors and executive officers as a group	67,535,477	86.3%			71,128,487	72.6%
Principal and Selling Shareholders:						
Ceyuan Entities(8)	20,686,277	26.4%			23,095,520	23.6%
GSR Ventures Entities(9)	16,131,902	20.6%			17,315,669	17.7%
Wincore Holdings Limited(10)	10,555,555	13.5%			10,555,555	10.8%
Vitz Holdings Limited(11)	7,038,889	9.0%			7,038,889	7.2%
Clinet Investments Limited(12)	7,038,889	9.0%			7,038,889	7.2%
Trustbridge Partners III, L.P.(13)	5,356,111	6.8%			6,408,751	6.6%
Focus China Holdings Limited(14)	5,333,334	6.8%			5,333,334	5.4%
Fulltrend Holdings Limited(15)	5,222,221	6.7%			5,222,221	5.3%

Notes:

Up to an aggregate of $10.0 million in the ordinary shares held by these shareholders may be sold if the underwriters exercise their option to purchase additional ADSs. Assuming that the option to purchase additional ADSs is exercised in full by the underwriters at the initial public offering price of $9.50 per ADS, the underwriters may purchase up to an aggregate of 1,052,632 ADSs, representing 2,105,264 ordinary shares, from the selling shareholders.

* Less than 1% of our total outstanding shares.

(1) Represents 10,555,555 ordinary shares held by Wincore Holdings Limited. Wincore Holdings Limited, a British Virgin Islands company, is wholly owned by Mr. Quji (Alan) GUO, our chairman of the board and chief executive officer. The registered address of Wincore Holdings Limited is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. Assuming that the option to purchase additional ADSs is exercised in full by the underwriters at the initial public offering price of $9.50 per ADS, Wincore Holdings Limited has granted the underwriters an option to purchase up to 372,162 ADSs, representing 744,324 ordinary shares, and Wincore Holdings Limited will beneficially own 9,811,231 ordinary shares, or approximately 10.0% of our ordinary shares, after the offering.

(2) Represents 7,038,889 ordinary shares held by Vitz Holdings Limited. Vitz Holdings Limited, a British Virgin Islands company, is wholly owned by Mr. Xin (Kevin) WEN, our director and co-president. The registered address of Vitz Holdings Limited is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. Assuming that the option to purchase additional ADSs is exercised in full by the underwriters and at the initial public offering price of $9.50 per ADS, Vitz Holdings Limited has granted the underwriters an option to purchase up to 248,174 ADSs, representing 496,348 ordinary shares, and Vitz Holdings Limited will beneficially own 6,542,541 ordinary shares, or approximately 6.7% of our ordinary shares, after the offering.

(3) Represents 7,038,889 ordinary shares held by Clinet Investments Limited. Clinet Investments Limited, a British Virgin Islands company, is wholly owned by Mr. Liang ZHANG, our director and co-president. The registered address of Clinet Investments Limited is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. Assuming that the option to purchase additional ADSs is exercised in full by the underwriters at the initial public offering price of $9.50 per ADS, Clinet Investments Limited has granted the underwriters an option to purchase up to 248,174 ADSs, representing 496,348 ordinary shares, and Clinet Investments Limited will beneficially own 6,542,541 ordinary shares, or approximately 6.7% of our ordinary shares, after the offering.

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(4) Represents 5,222,221 ordinary shares held by Fulltrend Holdings Limited. Fulltrend Holdings Limited, a British Virgin Islands company, is wholly owned by Mr. Jun LIU, our senior vice president of operations. The registered address of Fulltrend Holdings Limited is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. Assuming that the option to purchase additional ADSs is exercised in full by the underwriters at the initial public offering price of $9.50 per ADS, Fulltrend Holdings Limited has granted the underwriters an option to purchase up to 184,122 ADSs, representing 368,244 ordinary shares, and Fulltrend Holdings Limited will beneficially own 4,853,977 ordinary shares, or approximately 4.9% of our ordinary shares, after the offering.

(5) Represents 19,918,816 and 767,461 ordinary shares held by Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC, respectively, issuable upon the conversion of all Series A, Series B and Series C preferred shares held by such shareholders. Ordinary shares beneficially owned by Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC after this offering also include (a) 1,204,919 and 46,425 ordinary shares issuable upon the conversion of convertible notes in the principal amount of $4,333,050 and $166,950, respectively and (b) 1,114,942 and 42,958 ordinary shares represented by 557,471 and 21,479 ADSs that have been allocated by the underwriters to Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC, respectively, in this offering. Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC are collectively referred to in this prospectus as the Ceyuan Entities. For a description of the beneficial ownership of our ordinary shares by the Ceyuan Entities, see Note 9 below. Mr. Ye YUAN disclaims beneficial ownership of our ordinary shares held by the Ceyuan Entities, except to the extent of his pecuniary interest in these shares.

(6) Represents 19,918,816 and 767,461 ordinary shares held by Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC, respectively, issuable upon the conversion of all Series A, Series B and Series C preferred shares held by such shareholders. Ordinary shares beneficially owned by Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC after this offering also include (a) 1,204,919 and 46,425 ordinary shares issuable upon the conversion of convertible notes in the principal amount of $4,333,050 and $166,950, respectively and (b) 1,114,942 and 42,958 ordinary shares represented by 557,471 and 21,479 ADSs that have been allocated by the underwriters to Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC, respectively, in this offering. Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC are collectively referred to in this prospectus as the Ceyuan Entities. For a description of the beneficial ownership of our ordinary shares by the Ceyuan Entities, see Note 9 below. Mr. Bo FENG disclaims beneficial ownership of our ordinary shares held by the Ceyuan Entities, except to the extent of his pecuniary interest in these shares.

(7) Represents 16,131,902 ordinary shares issuable upon the conversion of (a) 14,249,847 Series B preferred shares and 1,844,414 Series C preferred shares held by GSR Ventures III, L.P. and (b) 37,641 Series C preferred shares held by Banean Holdings Ltd. GSR Ventures III, L.P. and Banean Holdings Ltd are collectively referred to in this prospectus as GSR Ventures Entities. Ordinary shares beneficially owned by GSR Ventures III, L.P. and Banean Holdings Ltd also include (a) 953,802 and 19,465 ordinary shares issuable upon the conversion of convertible notes in the principal amount of $3,430,000 and $70,000, respectively and (b) 210,500 ordinary shares represented by 105,250 ADSs that have been allocated by the underwriters to GSR Ventures III, L.P. in this offering. For a description of the beneficial ownership of our ordinary shares by GSR Ventures Entities, see Note 10 below. Mr. Jin-Choon (Richard) LIM disclaims beneficial ownership of our ordinary shares held by GSR Ventures Entities, except to the extent of his pecuniary interest in these shares.

(8) Represents 19,918,816 and 767,461 ordinary shares held by Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC, respectively, issuable upon the conversion of all Series A, Series B and Series C preferred shares held by such shareholders. Ordinary shares beneficially owned by Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC after this offering also include (a) 1,204,919 and 46,425 ordinary shares issuable upon the conversion of convertible notes in the principal amount of $4,333,050 and $166,950, respectively and (b) 1,114,942 and 42,958 ordinary shares represented by 557,471 and 21,479 ADSs that have been allocated by the underwriters to Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC, respectively, in this offering. Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC are under the common control of Ceyuan Ventures Management II, LLC, which is the general partner of Ceyuan Ventures II, L.P. and sole director of Ceyuan Ventures Advisors II, LLC. Mr. Bo FENG, Mr. Christopher Wadsworth, Yanxi Holding Co., Ltd., Mr. Weiguo ZHAO, NewMargin Fund Management Company Limited and Mr. John S. Wadsworth Jr. collectively hold 100% shares of Ceyuan Ventures Management II, LLC. Mr. Ye YUAN has the voting and dispositive power over the shares held by Yanxi Holding Co., Ltd. Mr. Tao FENG has the voting and dispositive power over the shares held by NewMargin Fund Management Company Limited. The registered address of Ceyuan Entities is c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, British West Indies.

(9) Represents 16,131,902 ordinary shares issuable upon the conversion of (a) 14,249,847 Series B preferred shares and 1,844,414 Series C preferred shares held by GSR Ventures III, L.P. and (b) 37,641 Series C preferred shares held by Banean Holdings Ltd. Ordinary shares beneficially owned by GSR Ventures III, L.P. and Banean Holdings Ltd also include (a) 953,802 and 19,465 ordinary shares issuable upon the conversion of convertible notes in the principal amount of $3,430,000 and $70,000, respectively and (b) 210,500 ordinary shares represented by 105,250 ADSs that have been allocated by the underwriters to GSR Ventures III, L.P. in this offering. The general partner of GSR Ventures III, L.P. is GSR Partners III, L.P., whose general partner is GSR Partners III, Ltd., a company incorporated in the Cayman Islands, which is owned by Messrs. Jin-Choon (Richard) Lim, Sonny Wu, Ding Jian (James), Alexander Pan and Ms. Ryann Yap. The registered address of GSR Ventures III, L.P. is Floor 4, Willow House, Cricket Square, P.O. Box 268, Grand Cayman KY1-1104, Cayman Islands. Messrs. Jin-Choon (Richard) Lim, Sonny Wu, Ding Jian (James), Alexander Pan and Ms. Ryann Yap exercise voting and investment power over the shares held by Banean Holdings Ltd. Each of them disclaims beneficial ownership of the shares held by Banean Holdings Ltd, except to the extent of each person's pecuniary interest therein. The registered address of Banean Holdings Ltd is c/o Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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(10) Wincore Holdings Limited, a British Virgin Islands company, is wholly owned by Mr. Quji (Alan) GUO, our chairman of the board and chief executive officer. The registered address of Wincore Holdings Limited is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. Assuming that the option to purchase additional ADSs is exercised in full by the underwriters at the initial public offering price of $9.50 per ADS, Wincore Holdings Limited has granted the underwriters an option to purchase up to 372,162 ADSs, representing 744,324 ordinary shares, and Wincore Holdings Limited will beneficially own 9,811,231 ordinary shares, or approximately 10.0% of our ordinary shares, after the offering.

(11) Vitz Holdings Limited, a British Virgin Islands company, is wholly owned by Mr. Xin (Kevin) WEN, our director and co-president. The registered address of Vitz Holdings Limited is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. Assuming that the option to purchase additional ADSs is exercised in full by the underwriters and at the initial public offering price of $9.50 per ADS, Vitz Holdings Limited has granted the underwriters an option to purchase up to 248,174 ADSs, representing 496,348 ordinary shares, and Vitz Holdings Limited will beneficially own 6,542,541 ordinary shares, or approximately 6.7% of our ordinary shares, after the offering.

(12) Clinet Investments Limited, a British Virgin Islands company, is wholly owned by Mr. Liang ZHANG, our director and co-president. The registered address of Clinet Investments Limited is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. Assuming that the option to purchase additional ADSs is exercised in full by the underwriters at the initial public offering price of $9.50 per ADS, Clinet Investments Limited has granted the underwriters an option to purchase up to 248,174 ADSs, representing 496,348 ordinary shares, and Clinet Investments Limited will beneficially own 6,542,541 ordinary shares, or approximately 6.7% of our ordinary shares, after the offering.

(13) Represents (a) 5,356,111 ordinary shares issuable upon the conversion of all Series C convertible redeemable preferred shares held by Trustbridge Partners III, L.P., a Cayman Islands exempted limited partnership and (b) 1,052,640 ordinary shares represented by 526,320 ADSs that have been allocated by the underwriters to Trustbridge Partners III, L.P. in this offering. The general partner of Trustbridge Partners III, L.P. is TB Partners GP3 L.P. The general partner of TB Partners GP3 L.P. is TB Partners GP Limited. Shujun LI, Feng GE, Donglei ZHOU, Hongyan GUAN and David LIN hold voting and investment power for Trustbridge Partners III, L.P. The registered address of Trustbridge Partners III, L.P. is Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands.

(14) Represents 5,333,334 ordinary shares held by Focus China Holdings Limited. Focus China Holdings Limited, a British Virgin Islands company, is wholly owned by Mr. Xiaoping XU, a founding angel. The registered address of Focus China Holdings Limited is Trinity Chambers, P.O. Box 4301, Road Town, Tortola, British Virgin Islands.

(15) Fulltrend Holdings Limited, a British Virgin Islands company, is wholly owned by Mr. Jun LIU, our senior vice president of operations. The registered address of Fulltrend Holdings Limited is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. Assuming that the option to purchase additional ADSs is exercised in full by the underwriters at the initial public offering price of $9.50 per ADS, Fulltrend Holdings Limited has granted the underwriters an option to purchase up to 184,122 ADSs, representing 368,244 ordinary shares, and Fulltrend Holdings Limited will beneficially own 4,853,977 ordinary shares, or approximately 4.9% of our ordinary shares, after the offering.

Immediately after the completion of this offering, we will have one class of ordinary shares, and each holder of our ordinary shares is entitled to one vote per share. However, in matters related to change of control, pursuant to our amended and restated memorandum and articles of association, Wincore Holdings Limited, Clinet Investments Limited and Vitz Holdings Limited will be entitled to three votes per share, and each other holder is entitled to one vote per share. Such change of control events include: (a) a merger, amalgamation, consolidation or similar transaction involving our company, (b) the filing of a petition for a scheme of arrangement involving our company, or the giving of consent to such a filing or the co-operation by our company in the making of such filing, and (c) a sale, transfer or other disposition of all or substantially all of the assets of our company. See "Description of Share Capital Ordinary Shares Voting Rights." Assuming the underwriters do not exercise their option to purchase additional ADSs, each of Wincore Holdings Limited, Clinet Investment Limited and Vitz Holdings Limited will hold 10.8%, 7.2% and 7.2% of the shares of our company upon completion of this offering, respectively, entitling them to 21.5%, 14.3% and 14.3% voting rights, respectively, and an aggregate of 50.2% of voting rights in such matters related to a change of control.

As of the date of this prospectus, none of our outstanding ordinary shares were held by record shareholders in the United States. We are not aware of any arrangement that may at a subsequent date, result in a change of control of our company. Each selling shareholder acquired its shares in offerings which were exempted from registration under the Securities Act because such offerings involved either private placements or offshore sales to non-U.S. persons.

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RELATED PARTY TRANSACTIONS

As of December 31, 2009, we had receivables from Mr. Xin (Kevin) WEN of $424,000. The amount represented sales made by Mr. Xin (Kevin) WEN on behalf of us on certain third-party online marketplace platforms. The cash received was deposited in Mr. Xin (Kevin) WEN's personal accounts pending transfer to us as of December 31, 2009. Such amount was subsequently transferred to us in 2010.

Employment Agreements

See "Management Employment Agreements."

Share Options

See "Management Share Incentive Plan."

Private Placements

See "Description of Share Capital History of Securities Issuances."

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DESCRIPTION OF SHARE CAPITAL

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association and the Companies Law (2012 Revision) of the Cayman Islands, which is referred to as the Companies Law below.

As of the date of this prospectus, our authorized share capital is $50,000 divided into (i) 707,825,710 ordinary shares of par value $0.000067 each and (ii) 42,174,290 preferred shares of par value $0.000067 each, 15,000,000 of which are designated as Series A convertible preferred shares, 17,522,725 of which are designated as Series B convertible preferred shares and 9,651,565 of which are designated as Series C convertible redeemable preferred shares. As of the date of this prospectus, there are 36,108,965 ordinary shares issued and outstanding in accordance with our register of members, which excludes 804,404 vested but not yet legally issued restricted shares. All of our issued and outstanding preferred shares will automatically convert into 42,174,290 ordinary shares immediately upon the completion of this initial public offering. All of the outstanding principal amount of our convertible notes will automatically convert into 2,224,610 ordinary shares immediately upon the completion of this initial public offering. All of the 804,404 vested but not yet legally issued restricted shares will be issued immediately upon the completion of this initial public offering.

Our fourth amended and restated memorandum and articles of association will become effective upon completion of this offering and will replace our pre-offering third amended and restated memorandum and articles of association in its entirety. The following are summaries of material provisions of our fourth amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our ordinary shares.

Ordinary Shares

General

All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our shareholders or board of directors subject to the Companies Law and to the articles of association.

Voting Rights

Each holder of ordinary shares is entitled to one vote on a show of hands or, on a poll, each holder is entitled to have one vote for each share registered in his name on the register of members, on all matters upon which the ordinary shares are entitled to vote, except on a resolution relating to (a) a merger, amalgamation, consolidation or similar transaction involving our company, (b) the filing of a petition for a scheme of arrangement involving our company, or the giving of consent to such a filing or the co-operation by our company in the making of such filing, (c) a sale, transfer or other disposition of all or substantially all of the assets of our company, where Wincore Holdings Limited, a British Virgin Islands company wholly owned by Mr. Quji (Alan) GUO, Vitz Holdings Limited, a British Virgin Islands company wholly owned by Mr. Xin (Kevin) WEN, and Clinet Investments Limited, a British Virgin Islands company wholly owned by Mr. Liang ZHANG, is entitled to three votes for each share registered in his name on the register of members, and each other holder is entitled to one vote for each share registered in his name on the register of members. Assuming the underwriters do not exercise their option to purchase additional ADSs, each of Wincore Holdings Limited, Vitz Holdings Limited and Clinet Investments Limited will hold 10.8%, 7.2% and 7.2% of the shares of our company upon completion of this offering, respectively, entitling them to 21.5%, 14.3%

and 14.3% voting rights, respectively, and an aggregate of 50.2% of voting rights in such matters related to a change of control. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

Maples and Calder, our counsel as to Cayman Islands law, has advised that such voting structure is in compliance with current Cayman Islands law as in general terms, a company and its shareholders are free to provide in the articles of association for such rights as they consider appropriate, subject to such rights not being contrary to any provision of the Companies Law and not inconsistent with common law. Maples and Calder has confirmed that the inclusion in the articles of provisions giving weighted voting rights to specific shareholders generally or on specific resolutions is not prohibited by the Companies Law. Further, weighted voting provisions have been held to be valid as a matter of English common law and therefore it is expected that such would be upheld by a Cayman Islands court.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of votes cast attached to the ordinary shares. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

Transfer of Ordinary Shares

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

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;

- the instrument of transfer is in respect of only one class of ordinary shares;

- the instrument of transfer is properly stamped, if required;

- the ordinary shares transferred are fully paid and free of any lien in favor of us;

- any fee related to the transfer has been paid to us; and

- the transfer is not to more than four joint holders.

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

Liquidation

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

Calls on Ordinary Shares and Forfeiture of Ordinary shares

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

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Redemption of Ordinary Shares

Subject to the provisions of the Companies Law and other applicable law, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner, including out of capital, as may be determined by the board of directors.

Variations of Rights of Shares

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

General Meetings of Shareholders

Shareholders' meetings may be convened by a majority of our board of directors or our chairman. Additionally, on the requisition of shareholders representing not less than 40% of the voting rights entitled to vote at general meetings, the board shall convene an extraordinary general meeting. Advance notice of at least ten days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders. A quorum required for a meeting of shareholders consists of at least two shareholders present or by proxy, representing not less than one-third in nominal value of the total issued voting shares in our company.

Election and Removal of Directors

Unless otherwise determined by our company in the general meeting, our articles provide that our board will consist of not less than three directors. There are no provisions relating to retirement of directors upon reaching any age limit.

The directors have the power to appoint any person as a director either to fill a casual vacancy on the board or, subject to authorization by the members in the general meeting, as an addition to the existing board, but so that the number of directors so appointed will not exceed any maximum number determined from time to time by the members in general meeting. Any director appointed by the board to fill a casual vacancy will hold office until the next annual general meeting of members after his appointment and be subject to re-election at such meeting.

Our articles provide that persons standing for election as directors at a duly constituted general meeting with requisite quorum are appointed by shareholders by a simple majority of the votes cast on the resolution.

A director may be removed with or without cause by special resolution. The notice must contain a statement of the intention to remove the director and must be served on the director not less than ten days before the meeting. The director is entitled to attend the meeting and be heard on the motion for his removal.

Proceedings of Board of Directors

Our articles provide that our business is to be managed and conducted by our board of directors. The quorum necessary for the board meeting may be fixed by the board and, unless so fixed at another number, will be a majority of the directors.

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Our articles provide that the board may from time to time at its discretion exercise all powers of our company to raise 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, subject to the Companies Law, 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.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will in our articles provide our shareholders with the right to inspect our list of shareholders and to receive annual audited financial statements. See "Where You Can Find More Information."

Changes in Capital

We may from time to time by ordinary resolution:

- increase the 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.

We may by special resolution reduce our share capital or any capital redemption reserve in any manner permitted by law.

Exempted Company

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

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value, negotiable or bearer shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);

an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;

an exempted company may register as a limited duration company; and

an exempted company may register as a segregated portfolio company.

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