LightInTheBox Holding Co., Ltd.
Form F-1/A
May 31, 2013

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As filed with the Securities and Exchange Commission on May 31, 2013

Registration No. 333-187965

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 4 to Form F-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

LightInTheBox Holding Co., Ltd.

(Exact name of Registrant as Specified in its Charter)

Cayman Islands	**5961**	**Not Applicable**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Building 2, Area D, Floor 1-2, Diantong Times Square
No. 7 Jiuxianqiao North Road
Chaoyang District, Beijing 100020
People's Republic of China
Telephone: +86-10-5692-0099
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Law Debenture Corporate Services Inc.
400 Madison Avenue, 4th Floor
New York, New York 10017
+1 (212) 750-6474
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)(2)	Amount of Shares to be Registered(2)(3)	Proposed Maximum Aggregate Offering Price per Share(3)	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee(4)
Ordinary shares, par value $0.000067 per share	19,090,000	$5.25	$100,222,500	$13,670.35

(1) American depositary shares, or ADSs, issuable upon deposit of the ordinary shares registered hereby will be registered under a separate registration statement on Form F-6. Each ADS represents two ordinary shares.

(2) Includes (a) 2,490,000 ordinary shares represented by 1,245,000 ADSs that may be purchased by the underwriters pursuant to their option to purchase additional ADSs and (b) all ordinary shares represented by ADSs initially offered and sold outside the United States that may be resold from time to time in the United States either as part of the distribution or within 40 days after the later of the effective date of this registration statement and the date the securities are first bona fide offered to the public.

(3) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.

(4) All of which has been previously paid.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.

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Subject to Completion, Dated May 31, 2013

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. We expect that the initial public offering price of the ADSs will be between $8.50 and $10.50 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	$	$	$
Total	$	$	$

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, the selling shareholders, which are entities controlled by Quji (Alan) GUO, Xin (Kevin) WEN, Liang ZHANG and Jun LIU, all of whom are our directors and executive officers, have granted the underwriters the right to purchase up to $10.0 million in ADSs, which, assuming an initial public offering price of $9.50 per ADS, the mid-point of the estimated range of the initial public offering price, is equal to an aggregate of 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 their respective affiliates have indicated to us their interest in subscribing for up to an aggregate of $25.0 million of 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. We and the underwriters are currently under no obligation to sell ADSs to them. The number of ADSs available for sale to the general public will be reduced to the extent that these shareholders or their affiliates purchase any ADSs.

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 , 2013.

Credit Suisse **Stifel**

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

The date of this prospectus is , 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.

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

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- 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 director and 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.

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 24, 2013, the noon buying rate for Renminbi was RMB6.1311 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, assuming an initial public offering price of $9.50 per ADS, the mid-point of the estimated range of the initial public offering price).
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, the selling shareholders, which are entities controlled by Quji (Alan) GUO, Xin (Kevin) WEN, Liang ZHANG and Jun LIU, all of whom are our directors and executive officers, have granted the underwriters the right to purchase up to $10.0 million in ADSs, which, assuming an initial public offering price of $9.50 per ADS, the mid-point of the estimated range of the initial public offering price, is equal to an aggregate of 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), assuming an initial public offering price of $9.50 per ADS, the mid-point of the estimated range of the initial public offering price, 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 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

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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, (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, 2013
	2008	2009	2010	2011	2012	
	(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.

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.

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 be able to receive positive market recognition and wide acceptance, which may materially and adversely affect our business, financial condition and results of operations.

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

any negative publicity about us or other online retailers in China.

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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.

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.

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.

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.

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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.

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.

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.

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

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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 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, 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.

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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 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.

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

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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, 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."

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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 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 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.

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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.

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.

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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 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.

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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.

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

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- 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 on a parcel-by-parcel basis, which differs from traditional large-scale export shipments and the customs declaration, clearance and inspection procedures for merchandise packaged and shipped in parcels are processed in accordance with procedures for articles. 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.

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 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 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 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

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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 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.

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

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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 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

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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. As the administrative proceedings are ongoing, it is impossible to determine their outcome or the consequences thereof to us. 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.

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 will be 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.

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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 assumed purchase price per ADS in this offering of $9.50, being the mid-point of the estimated range of the initial public offering price 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.

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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.

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.

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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 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 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 and based upon an assumed initial offering price of $9.50 per ADS (the mid-point of the estimated public offering price range shown on the front cover of this prospectus). A $1.00 increase (decrease) in the assumed initial public offering price of $9.50 per ADS would increase (decrease) the net proceeds to us from this offering by $7.7 million, after deducting the estimated underwriting discounts and commissions and estimated aggregate offering expenses payable by us and assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus. 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 an assumed initial public offering price of $9.50 per ADS, the mid-point of the estimated public offering price range shown on the front cover of this prospectus, 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.

The pro forma and pro forma as adjusted information below is illustrative only and our capitalization following the closing of this offering is subject to adjustment based on the initial public offering price of the ADSs and other terms of this offering determined at pricing. 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 assumed initial public offering price of $9.50 per ADS, which is the mid-point of our estimated initial public offering price range as set forth on the cover of this prospectus, 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
Assumed initial public offering price	$ 4.75	$ 9.50
Amount of dilution to new investors in the offering	$ 3.90	$ 7.80

A $1.00 increase (decrease) in the assumed initial public offering price of $9.50 per ADS would increase (decrease) our pro forma as adjusted net tangible book value, after giving effect to the offering and the conversion of our convertible notes, by $7.7 million or by $0.08 per ordinary share and $0.16 per ADS and the dilution per ordinary share and per ADS to new investors in this offering by $0.42 per ordinary share and $0.84 per ADS, assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus and after deducting underwriting discounts and commissions and other expenses of the offering.

The pro forma information discussed above is illustrative only. Our net tangible book value following the closing of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

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. The information in the following table is illustrative only and the total consideration paid and the average price per ordinary share and per ADS is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

	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.

A $1.00 increase (decrease) in the assumed initial public offering price of $9.50 per ADS would increase (decrease) total consideration paid by new investors, total consideration paid by all

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shareholders and the average price per ADS paid by all shareholders by $8.3 million, $8.3 million and $0.17, respectively, assuming no change in the number of ADSs sold by us as set forth on the cover page of this prospectus and without deducting underwriting discounts and commissions and other expenses 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 24, 2013, the noon buying rate was RMB6.1311 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
November	6.2265	6.2338	6.2454	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 (through May 24, 2013)	6.1311	6.1446	6.1665	6.1306

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 director and 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 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.

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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	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, 2013
	2008	2009	2010	2011	2012	
	(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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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

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

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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 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.

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.

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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 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."

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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.

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.

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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.

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.

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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 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 mid-point of the estimated range of 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 mid-point of the estimated price range of our initial public offering.

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 to be $4.75 per share, the mid-point of the estimated range of the initial public offering price. We expect to start recognizing share-based compensation expenses associated with these grants commencing in the quarter ending June 30, 2013. Assuming an initial public offering price of $9.50 per ADS, the mid-point of the estimated range of the initial public offering price, 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. The actual amount of these expenses is subject to a contemporaneous valuation as to the fair value of our options and the determination of the final initial public offering price.

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 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 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

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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								